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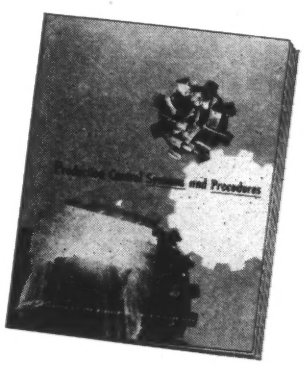

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AMERICAN ECONOMY

The Camel's Nose is Under the Tent

By C. E. WILSON

President of General Motors

Citing an old Arabian proverb as illustrating gradual penetration of totalitarianism in the nation, the president of GM accuses the government of using the present emergency to promote regimentation under the false assumption that this is the best way to get the job done.

THE TITLE I have chosen for my talk, as most of you know, is "The Camel's Nose Is Under the Tent." The expression comes from an old Arabian fable, and to an Arab it spells trouble and disaster. The fable of the Arab and His Camel goes something like this:

One cold night, as an Arab sat in his tent, a camel gently thrust his nose under the flap and looked in.

"Master," he said, "let me put my nose in your tent, for it is cold and stormy out here."

"By all means, and welcome," said the Arab, and turned over and went to sleep.

Text of talk delivered October 10, 1951 *at the Dallas, Texas Chapter of S.A.M.*

A little later he awoke and found that the camel had not only put his nose in the tent but his head and neck as well.

The camel, who had been turning his head from side to side, said, "I will take but little more room if I place my forelegs within the tent. It is difficult standing without."

"You may also plant your forelegs within," said the Arab, moving a little to make room, for the tent was small.

Finally the camel said: "May I not stand wholly within? I keep the tent open by standing as I do."

"Yes, yes," said the Arab. "Come wholly inside. Perhaps it will be better for both of us." So the camel came forward and crowded into the tent.

The Arab with difficulty in the crowded quarters again went to sleep. The next time he woke up he was outside in the cold and the camel had the tent to himself.

Independent of how he got there, the important point is that the camel of government control now has his nose under the tent of free competitive industry and is crowding in. We will all have to watch him or he will take over the tent, and we will lose our economic freedom and with it all our other liberties. Of course, if the camel is really successful in taking over the tent, the members of the Society for the Advancement of Management had better be studying how to become government bureaucrats — not how to become more effective members of our marvelous American industrial system.

TWO MAJOR PROBLEMS

Our country faces two major problems today. One is the possibility of becoming engaged in a third world war. The other is the problem or danger of losing our type of free society in the process of preparing for war. This is the one I am going to talk about today. The present emergency is being used to promote regimentation under the false assumption that this is the best way to get the job done. Some regimentation may be necessary in war. All regimentation is fatal to a free society in peace.

The Korean war is now more than 15 months old. It is still spoken of by some as a police action. It is much more than that to the men who are doing the fight-

In the picture above left to right are Mr. Wilson, President of General Motors, E. A. Mohr, Mohr Chevrolet Co. and President of the Dallas Chapter, Allen Shivers, Governor of the State of Texas, and Robert Clark, attorney and chairman of State Fair of Texas' Distinguished Guests Committee.

Governors from Louisiana, Arizona, Arkansas, Oklahoma and Missouri were present and some 550 outstanding business leaders in the Southwest were present at the first meeting of 1951 of the Dallas Chapter of S.A.M.

ing. It has already developed into a war of considerable magnitude with all the hardships, death and suffering that always result from war. We and our allies in the United Nations are trying to stop aggression, but we are also trying to localize the fighting. We are not using all our resources to vanquish our known enemies. The free nations still hope that in this way their objectives in Korea can be achieved without precipitating a third world war.

The emergency of the Korean war and the defense program, however, is being used to justify more and more government restrictions and controls. It is being used to justify more and more state planning. It is being used to justify more and more policies that are inconsistent with the fundamentals of a free society. Many people are coming to believe that the immediate danger of a third world war is lessening. Many more believe that the danger of losing our free society through our own internal policies is increasing.

Due to our great industrial capacity and the initiative and spirit of our people, we can have great military power when we are forced to organize it. By organizing that strength now we hope to avoid a third world war. But if in organizing our strength to avoid war we lose the freedoms that Americans have enjoyed for 175 years, we would lose the very values for which we would be willing to fight a war. If we are so unfortunate as to become engaged in another world war, I am sure that America and its allies would ultimately be victorious. But we would again lose the peace if we lost sight of the basic purpose for which the nation was founded, which is the welfare of its individual citizens and not the aggrandizement of the state or the temporary rulers thereof. It would be tragic indeed if our efforts to organize military strength to save our liberties resulted in the loss of the very liberties we seek to preserve, or if we overdo military preparedness and are at least partly responsible for precipitating a third world war. Such a war, even after victory, would still leave us with the unsolved problem of how to establish a stable peace. We must clarify our international policies now and make it clear to the rest of the world that we are adhering to the purpose for which our country was founded and that our nation has no desire or ambition to control or dominate the rest of the world. The danger of over preparedness was pointed out in an editorial in the "Detroit News" last Sunday, under the title — "Over-Arming Can Lead the Nation Down the Road to World War III."

"Our supposed purpose still is to deter Russia, to check Communist aggression and to provide its forces with visible proof that if they were to undertake a general war, the way would be hard, and they would probably not win.

"But it was never intended that we would confront the Communist world with preponderant power, or project a program of armament which in the immediate future might give Russia genuine fears for her security and thereby impel her to strike while there is yet time.

"Those outside the military establishment who until now have supported rearmament will not support it that far, for they realize all too well that it is but trading one form of jeopardy for another, more gravely menacing because of its multiple dangers.

"This nation cannot live for long in peace, or in relative prosperity, once it is converted into an armed camp.

"Either it will be beggared by the cost of military upkeep, and the starving of the supply to its civilian economy will promote depression and political demoralization, or to ward off these evils, we will take the road to war, even as Hitler did.

"Our magic is not greater than that of other countries which in times past have met ruin by having to make this same fateful choice.

"Vast as the threat from Russia may be, we must continue to run risks in that quarter, rather than visit an entrenched militarism upon the United States."

In addition to the danger that results from building up too big a military organization, we face the added danger that our civilian economy will be undermined and many basic individual rights lost.

By using the steel shortage or the assumed steel shortage to justify the control and restriction of commercial production, and by using the threat and fear of inflation to justify wage and price controls, the economy of the whole nation is being placed unnecessarily under increasing regulation. Whatever materials are required for direct military production, of course, must be made available and civilian shortages created if necessary to accomplish that purpose. However, the Korean war and the direct defense program are probably taking less than 10% of the country's greatly increased steel production.

Defense production at its maximum planned rate will probably not require more than 15%, or at the most, 20% of the nation's steel capacity. Nevertheless, all steel is being rationed contrary to the recommendations of the steel industry itself.

We all know that the military program requires a much bigger percentage of the supply of certain so-called critical materials. But American management can work out more or less satisfactory substitutions for these other materials, and the civilian economy can reasonably be maintained if the balance of these materials not currently required by the military program is left available to the free market.

CONTROLS REDUCE SUPPLY OF MATERIALS

Controls do not produce any more of any material but in many cases actually reduce the supply. *Controls or no controls*, the civilian economy will have to get along on what is left over after the military effort. Shortages are not new, even in an economy of plenty. Many materials have been in short supply ever since World War II. Even when nothing else is short, money itself is always short. In a free society money is the overall rationer of all activities. If money were no object and the ability to buy unlimited, everyone can think of many

things he would like to have or do that he cannot now afford. The same applies to businesses and all forms of social and government activities. On the other hand, in a free society, unless a buyer would rather have the goods and services offered than he would his money, he will not buy but will save his money or spend it for something else. Only the power of the government through taxation can separate a man from his money against his own will.

When the expenditures for a big military program are added to an already big government spending program and to ordinary civilian requirements, the result is an enormous demand for goods and services of all kinds that appears to be insatiable. Consequently, prices tend to rise. Usually in these circumstances it is not considered politically feasible to tax the people enough to cover all government expenditures. This results in unsound financial policies that inevitably lead to inflation.

Henry Hazlitt aptly states the case in the October 1st issue of "Newsweek." To quote, "The first question to be asked today is not how can we stop inflation, but do we really want to? For one of the effects of inflation is to bring about a redistribution of wealth and income. In its early stages (until it reaches the point where it grossly distorts and undermines production itself) it benefits some groups at the expense of others. The first groups acquire a vested interest in maintaining inflation. Too many of us continue under the delusion that we can beat the game—that we can increase our own incomes faster than our living costs. So there is a great deal of hypocrisy in the outcry against inflation. Many of us are shouting in effect: 'Hold down everybody's price and income except my own'."

CREATING NEW PRESSURE GROUPS

Under such circumstances new pressure groups are created and unsound economic policies are adopted for political reasons. Governments themselves are usually the worst offenders in this hypocrisy. It has always been politically popular to spend and politically unpopular to tax.

Theoretically it is possible to fight a war, pay for it as it is being fought, and avoid inflation. We realize that this is true when we think of the cost of war in terms of physical goods and where they come from instead of the cost in dollars and who will pay them. Obviously, the nation and all the people must live on the goods and services that are left over after the defense or war requirements are taken out of total production.

What actually occurs in time of war is that there is a shift in equities, opportunities and responsibilities between producers (those who have the health and strength to work or fight) and the balance of the population. This intensifies the problem of how to divide equitably new wealth currently being created and how to distribute the shorter supply of goods and services.

There is also the problem of deciding what is a fair share of the war load that each citizen should carry in relation to his age, health, financial and other abilities. From a political point of view it is so difficult to appraise these new equities and responsibilities as between different citizens that it never seems to be expedient to raise all the money required to pay for a war as it is fought or war materials as they are produced. This is another reason why under such conditions nations have usually resorted to currency and credit inflation.

EVILS OF CONTROLS

At the present time, in the name of stopping inflation, we have resorted to a system of wage, price and production controls. One of the great evils of such government controls is that they rapidly create powerful vested interests and habits of mind which tend to make them permanent. Rent controls and government control of synthetic rubber production, which have been continued ever since World War II, are examples of what I am talking about.

Price control is one of the major steps toward a fully regimented and planned economy, since when the desire and ability to buy are denied in the market place and government controls decide who gets what and how much he should pay, economic freedom is lost and with it gradually many of our other freedoms. Price controls deceive many people since they are led to believe that with price controls their money will buy more. This causes them to temporarily accept government intervention in all economic affairs under the fallacious assumption that government knows best. When they find out differently it is usually too late to undo the damage which has been done. The camel has already taken over the tent.

CAUSE OF INFLATION

From the standpoint of controlling inflation, price and wage controls divert attention from the real cause of inflation, which is the increase in the quantity of money and credit as compared to the quantity of goods and services currently available. Hence direct controls are treating the symptoms and not the disease and thus prolong and intensify the inflation they are represented to cure.

We must not allow this problem of inflation and all the talk there is about it to confuse our minds in regard to what we are really fighting. We are fighting militant Marxism and totalitarian aggressors, and increased prices and material shortages are not our enemies but problems to be overcome.

Just how much we can improve over the history of the past in the present emergency remains to be seen. It will depend on how well the people of our country understand the facts and perhaps, on how big the defense load turns out to be. If too much reliance is placed on a multitude of direct controls of materials, production, wages and prices instead of on a few indirect controls affecting the money supply, the financial history of World War II will be duplicated and we will have additional inflation and future trouble. Direct controls may stop a little profiteering. They may prevent individuals, businesses and owners of commodities from obtaining temporary financial advantage while the new demand and supply are being brought into balance. But direct controls cannot stop inflation so long as the nation's monetary and fiscal policies inflate the money supply. If the money supply is inflated a new plateau of wages and prices will inevitably result. *If it is the national policy to do so, the money supply can always be increased faster by running printing presses and making bookkeeping entries than production can be increased by running machines.*

Therefore, direct price and wage controls can be no more than temporary expedients in our present difficulties. We certainly cannot have a free society if they are long continued, and we must not develop a situation where we fear to

remove them. It is unthinkable that our only hope of getting rid of them is at the end of another big war. We must remove them during the defense period. Otherwise we will ultimately create by our own internal policies a form of autocratic government not too different from the totalitarian systems we are resisting. Not only is the camel's nose under the tent but any of you who will take a deep breath will be able to detect a certain pollution of the air. That camel is crowding in so close you can smell him.

STATE PLANNING IS ESSENTIALLY COERCIVE

Even with the best intentions on the part of those who have the responsibility, any form of state planning of the economic and personal affairs of all citizens must finally be coercive because the entire population must conform to the will of the planners. Otherwise their rule and plans will be weakened as the people become dissatisfied when they realize that some of the assumptions on which the plans are based are false. Under such conditions only kangaroo courts, secret police and finally military dictatorship will prevent the people from asserting their liberties.

An indication of what we can expect from such government planning was contained in a recent editorial in the "Detroit Free Press." I will read it to you:

"When price control agents made predawn raids on 500 slaughter houses we admittedly couldn't see what tangible result was supposed to ensue.

"However, close in their wake the price of beef has been boosted—again.

"We think no Sherlock Holmes is necessary now to make the correct deduction. It is that the swoop down on the slaughterers was meant to hypnotize the housewife into believing her budget was being guarded by the price control farce at the very moment more cost of living increases were being authorized."

If the present trend continues, I expect to read in the papers some morning that one of my fellow-citizens has been arrested and thrown in jail for cutting up a steer the wrong way. In the meantime, serious offenses against the common good will be overlooked, and the morale of the nation will suffer.

About six weeks ago, a fellow Detroiter, John S. Coleman, President of Burroughs Adding Machine Company, made a talk at Mackinac Island under the title, "Business Looks at Government." He said several things so well that I am going to quote them to you:

"The State is too remote and impersonal to provide for the essentially intimate social needs of human personality. There is no short cut to our goal. The human problems of the corporation are not solved by calling it a nationalized undertaking. To compass all our troubles into the legal issue of private or collective ownership is attractively simple. But we do not transform the nature of work in mines or on the railroads by raising the Stars and Stripes. The miner will still be interested in his wages, his hours, his working conditions. He will still want a sense of status and participation. He will still want the satisfaction of standing well with his fellow workers. We all hanker for a magic talisman. But the tensions we seek to resolve are products of industrial culture as a whole, and they do not vanish when a private company becomes a public authority."

Exactly the same results occur when government takes over the control of wages, prices and production. The problems of our American industrial system are not solved even in time of war by the simple expedient of government taking control. As a matter of fact, the problems are usually magnified and made much more difficult, since the effort is made to solve them in an ivory tower and not on a local and case-by-case basis in the factories, mines, cities and communities where the people live and work.

VIRTUE OF OUR ECONOMIC SYSTEM

The great virtue of our American economic system is its ability to adjust production and prices to changes in supply and demand through positive incentives for individual action and by competition at the grass roots rather than by government directives from the top.

Our high standard of living cannot be explained on the grounds of natural resources, important as they are. Others, too, have great natural resources. Nor, can it be explained by claims of racial superiority. We have a common racial background with many other nations, since most of our ancestors came from Europe.

The simple fact is that Americans have accepted the obligation of individual competition as a responsibility that comes with personal freedom. They have had the opportunity to educate themselves, to choose their own religions, to select their own occupations, to accumulate capital and to invent better ways of doing things. Thus they have developed their individual talents, energies and initiative to the maximum, and through striving to improve their own welfare they have raised the level of prosperity for all Americans.

Americanism is still the new liberal philosophy in the world today. Based on the principles recognized by the founders of our country, the government of the United States has been a great success, probably the most brilliant success in all history. This is the system we must continue to preserve at all cost.

APPROACH TO VICTORY

In the spring of 1945 it became clear to me that the time of victory was approaching and that some of the existing manpower restrictions should be removed so that planning for peace could begin. Someone suggested that I try to get Barney Baruch's support in such a policy. One of my General Motors friends and I went to Washington to see him. He was very courteous to us, listening to our whole story, but apparently did not think that the timing was right. He said, "You engineers and mechanics don't understand political leaders. Political leaders must keep looking over their shoulders all the time to see if the boys are still there. If the boys are not still there, they are no longer political leaders."

What I am saying today is being directed to all Americans who may read or dream in the hopes that it will stimulate their thinking regarding these important problems and their understanding of them, thereby making it easier for our political leaders to get the right things done. The military program must not be expanded beyond the minimum needed to defend the country. We must adopt indirect controls that will avoid inflating the money supply. We must as quickly as possible get rid of direct controls which interfere with individual initiative and personal rights. Only when the majority of our fellow citizens understand these problems will we have any chance of getting that camel's nose out from under the tent.

Improving Management Effectiveness

By STEPHEN J. MUELLER

Professor and Chairman, Dept. of Management
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This is an effort to blend the major contributions of Taylorism and Fayolism in so far as they throw light upon the topic of increasing managerial effectiveness through organizational analysis.

THE COMMANDING POSITION of America in the modern world political economy has been attributed by scholars to many causative factors. Among the many factors contributory to our enviable material position are usually noted the following: Vast natural resources, a large body of ambitious and skilled labor, a comparatively free political and judicial climate, an aggressive group of industrial entrepreneurs, and an increasing emphasis upon technological improvement as a means toward the raising of our living standards. Little academic acknowledgment has been accorded the contribution made by the scientific management and organization of our business and industrial enterprises.

Economic history tells us that Adam Smith was one of the original laissez-faire economists. However, he is known to us also because he contended that the world's wealth would be increased tremendously if fuller recognition were given to the principle of division of labor. After the passage of the 18th century, and the advent of the Industrial Revolution, this elementary conception of division of labor was broadened to embrace the principle of specialization of labor.

The turn of the 20th century saw the inception of the scientific management movement, under the aegis of Frederick W. Taylor, coincident with the birth of the idea that labor should not only be divided and specialized, but that it should also be efficiently organized. While Taylor and most of his American contemporaries were directing their principal attention to labor at the shop and production levels, a parallel movement, known as Fayolism, was begun in France by Henri Fayol. His contribution rested with the fact that he directed attention and study to the proper organization of management itself, a subject that heretofore had been grossly neglected.

With this brief historical setting, it seems wise at this juncture to define our principal term, the word organization. The best definition, in the opinion of many students of management, is that of J. E. Walters.

He states that "organization is the division of work into its proper functions, jobs, and elements; their arrangement into correct relationships; and the assignment of them to individuals with clear definitions of responsibility, authority, and duties which will accomplish the policies of the establishment." [1]

This definition is noteworthy because it tells us not only the attributes which a good organization should possess, but also the dynamic process which must be undergone by the administrator in achieving and maintaining it. It is my purpose to point out those areas of the organization to which management might well devote its analytic attention in an effort to achieve higher productivity levels at lower costs. Thus we should like briefly to discuss the role played by the following three organizational areas:

1. Policy
2. Authority
3. Departmentation

As can be ascertained, the sub topics raised above are not all-inclusive, nor are they intended to be. Time limitation necessitates that we confine our attention quite largely to a few basic problems in the area of organization theory, slighting, at the same time, problems of equal import in other areas.

The term 'policy' as used here requires some localization because of its rather loose usage both in industry as well as among writers in the field. The definition which is given is a paraphrasing of the best thought on the subject. A policy is a decision rendered by appropriate authority which acts as a guide to action in repetitive or similar future cases. Thus it is in the nature of a precedent which enables employment of the exception principle as a device to relieve management of much of its burden of decision.

BLUE CHIP STUDY

In a recent study made of 31 blue chip corporations by the Graduate School of Stanford University,[2] it was found that only a few of them followed sound policy making practices with respect to such fundamentals as incorporating policies in written, manual form, or disseminating policy information to management, customers, vendors, the public or their employees. Then too, most companies were found to be significantly weak in their control over compliance with verbal or written policy statements. After fifty years of scientific management teaching, it is a sad commentary upon business management that we do not fully appreciate the crucial significance of proper policy formulation and control. That this is true is

[1] Walters, J. E., *Modern Management*, John Wiley & Sons, 1937.

[2] Holden et al, *Top Management Organization and Control*, Stanford, 1948.

evidenced by this recent study of 31 large and supposedly well managed corporations.

Therefore, it behooves us to return to fundamentals for a few minutes. There are three usual policy types, the basic, the functional and the departmental. Basic policies should be promulgated by the ownership interests e.g. board of directors, partners, trustees, working together with the top men in charge of the various functional divisions of the business. Basic policies concern three major aspects of the business in terms of its overall objectives. Petersen and Plowman[3] mention the profit, occupational and reputation objectives as being paramount to basic policies. Aside from the profit objective, illustrative of the basic policy of the Ford Motor Company is to mass produce an automobile within the financial reach of the mass market. Marshall Field's objective is to serve the middle and upper groups of consumers with quality products and national brands. Both wish to achieve a public reputation as to these ends.

Functional policy is operative within the confines of basic policy, and must be consistent with the higher level policy statement. It therefore should be jointly promulgated by top and middle management. As to the personnel function, the statement that compensation of all employees shall be at or above prevailing rates will be representative. Functional marketing policy is exemplified in the statement that distribution shall be effected only on an exclusive agency basis. Functional manufacturing or production policy is implicit in the statement that all production shall be carried out on a centralized basis. Financial policy is reflected in the statement that equity financing is to be preferred to debt financing.

POLICY REDEFINITION

As we move from the functional area to the departmental, further redefinition of policy is made necessary. Again, the redefinition must be consistent with the higher policy statement emanating from the functional source and must implement the more general statement. In other words, the general must become more specific. To illustrate, in the case of the personnel activity, the functional policy was the payment of workers at or above prevailing wage levels. At the departmental level, this means that we now must ascertain the prevailing rates on the several jobs—we must institute wage survey and job evaluation policy to implement the functional statement. As can readily be appreciated, in descending the scalar pyramid, the process of redefining may result in ten or more policy statements at the departmental level for each one at the functional level. For each statement at the basic level, there are ten or more at the functional level.

The more completely the process of redefinition is carried out, the fewer questions will be referred upward, and the freer will be top management to devote its attention to the handling of true exception situations e.g. formulation of new policies, which undoubtedly is one of the paramount functions of the executive.

VIOLATION OF AUTHORITY

Having searched the policy area as a subject worthy of analysis, we may now scrutinize the question of authority. A leading practitioner in the field of management, Chester Barnard, states that the most pervasive characteristic of authority is the extent to which it is violated.[4] In effect, he attributes this condition to an excessive managerial reliance upon positional authority and an insufficient user of the authority of leadership. Barnard believes that the true nature of authority is misunderstood, advancing the novel thesis that authority resides fully as much in the subordinate as it does in the superior. This is true because the subordinate, in some measure at least, retains the prerogative of disregarding or hamstringing the order issued by his superior.

Positional authority relies in negative fashion upon coercion and reprimand as its prime mover of the subordinate. The authority of leadership is far preferable since it is positive in character and recognizes the psychology of the situation. Men follow through in consonance with the spirit of the issued order because they respect the ability and leadership qualities of the superior executive, because they are sold on the idea that compliance with the order is in their own best interest and the best interest of the organization as a whole.

It is recognized that there are occasions when the authority of position must, of necessity, be exercised to the exclusion of the preferable authority of leadership. Such occasions, according to Barnard, may be reduced to a minimum by applying the following rules precedent to the issuance of orders. It is desirable that:

1. The action required by the order is clearly understood by the subordinate.
2. The order is within the physical and technical capacity of the subordinate.
3. The order is in consonance with the personal and organizational codes of the subordinate with respect to its material and ethical aspects.
4. If the order strains the subordinate's zone of indifference, proper preparatory selling and inducement should precede the issuance of the order.

A second indictment of managerial usage of authority stems from the fact that management oftentimes tends to confuse together the several forms which authority may assume. At the present time, four basic types are cognizable, line, staff, functional, functional staff, and residual authority. It will be helpful to review them.

1. *Line* authority consists of the positional power to make decisions and to issue orders to subordinates directly in the chain of command. It is known also as military authority and, as such, is perhaps the oldest form. Some authorities believe it to be an obsolete type, but this is untrue since the types which developed later are merely superimposed upon the original line. They narrow the scope of line authority but do not supersede it. The pure line type continues to lend itself to smaller organizations which do not find it necessary to effect a cleavage between planning and performance.

2. *Staff* authority is definable as the power to investigate and advise. It concerns itself with planning as distinct from performance. The advisory power exists with respect to men of coordinate and superior rank and invariably cuts across the chain of command and the various functional divisions. When staff men are added to the older line organi-

[3] Petersen & Plowman, *Business Organization and Management*, R. D. Irwin, 1948.

[4] Barnard, Chester I. *Functions of the Executive*, Harvard, 1938.

zation, the resulting product is the line and staff type of organization. Today it is the most popular structural form, and lends itself to both small and large scale organizations.

3. *Functional* authority is the power to act with respect to an organic activity such as personnel, finance or marketing. It is important to recognize this type in connection with the initial development of any business enterprise, for the organizer's first step is the separation of the entire organization into its major component divisions. The organizer frequently makes the error of raising a subordinate activity to major divisional stature and relegating a major activity to a subordinate role. Situations of this type ultimately create situations of organizational unbalance. Correction is made much more difficult once the unbalance has become crystallized by habit and hierarchy.

4. *Functional Staff* authority is an admixture of line and staff authority in so far as staff men are given line powers in connection with their particular organic activity. Functional staff authority is an application of Frederick Taylor's 'functional foremanship' to top management. Although functional foremanship, when applied to the work level, was productive of considerable confusion among both supervisors and workers, the same result has not followed when the functionalization of authority occurs at the top scalar levels.

RECENT INNOVATION

This type represents a most recent innovation in organization theory, and finds considerable adaptation in larger companies with extremely long chains of command. The very length of the command chain makes imperative a means of speeding the lines of communication from the top levels downward, and at the same time, preserving the identity of the original communication. The theory supporting functionalization of staff authority is that the responsible executive in charge of an organic activity is best qualified to make decisions in his area. It follows then, that we may spare him the necessity of clearing his order through the superior line officer. Instead, he is empowered to circumvent the line organization and to impart his order downward without prior superior approval. In this manner, two scalar levels are circumvented and the communications process is correspondingly hastened.

ATTRIBUTES OF A SOUND POLICY PROGRAM

1. Be based on intensive study prior to release.
2. Be in conformance with social and legal codes.
3. Be consistent with upper level policy.
4. Be in writing and incorporated in a policy manual.
5. Be made known to employees, vendors, and customers.
6. Be flexible enough to meet real changes in business conditions.
7. Be regularly audited as to compliance.

The danger implicit in vesting a staff man with line authority, cutting across functional areas as contemplated, is at once made manifest. To secure added speed, some sacrifice is made with regard to the completeness of coordination. An illustration will perhaps make this clearer. Suppose the chief personnel executive has functionalized staff authority. Suppose also that the production manager holds coordinate rank. When we permit the personnel director to issue orders to the other organic area executives, subordinates e.g. the production foremen, without first securing the general and production managers' respective approvals, we tend to divest the latter two executives of coordinative power.

LESSEN DANGER

Knowing the existence of this weakness, however, it is possible to minimize the danger. This can be done by written or verbal notification of the affected executives as to the action which is contemplated or has been ordered. Further, it is possible to permit a temporary veto power, as to compliance, to rest in the hands of the affected executives when the order appears questionable. This will invoke the exception principle. A final word of caution. Functionalization of staff authority is a powerful tool. In the hands of the incompetent experimenter, it becomes the harbinger of discord and confusion. For this form of authority, more than any other, requires a clear explanation of its implications to the managerial group, as well as a careful demarcation of lines of authority, responsibilities and duties among the several affected executives. It is well to confine usage of this type of authority to the upper two or, at the most, three scalar levels. Otherwise the pitfalls of Taylor functional foremanship will be the result.

RESIDUAL AUTHORITY

5. The final type of authority which we shall subject to scrutiny is *Residual* or *Coordinating*. Residual authority represents authority which cannot be delegated to subordinates unless the executive chooses to delegate himself out of his position. This must be true in so far as it represents the ultimate power to veto subordinate action downward or to dispose of the exceptional cases which are referred upward. The presence of residual authority represents also the ultimate responsibility of the executive. Retained authority is subjective with individual executives and may be extremely great or extremely small.

It is difficult to do more than merely suggest an avenue of approach when discussing this type of authority, inasmuch as it is inextricably intertwined with the principles of delegation, responsibility and centralization.

As a general proposition, the quantum of authority delegated to subordinates will govern the extent to which they may be held accountable (or responsible in a somewhat different sense) for results achieved. A rather safe rule by which to verify the extent to which a superior may delegate authority is this: Decisions should be made at the lowest possible scalar level, by those persons who are technically competent to render a sound decision, and who normally are in possession of all the facts requisite to its making. This rule is sound and can forestall many organizational headaches, among them the failure to delegate authority sufficient to carry out responsibilities, and the evils resulting from excessive concentration of control at the top. Universal recognition of the delegation rule would relieve top and middle management for the performance of their true functions of direction, control, and exception principle policy making.

Further than this, if management were to recognize the pervasive nature and

ramifications of the authority problem, the more common errors, e.g. confusion of line orders and staff advice, unclear delineation of lines of authority, duty and responsibility, and excessively cumbersome chains of command, would be less frequently made.

DEPARTMENTATION

Our final implementation of the subject of organizational analysis is to review the basic methods of departmentation. There are four types, the Functional, Territorial, Product and Process.

1. *Functional* departmentation need not concern us at length because it was previously treated in its authority aspect. The term functional is here employed only in the sense of organic functions—that is functions of basic importance—without which the firm could not carry on its prime objectives. Organic functions tend to differ as between industrial, commercial, financial and public utility institutions, but the pattern within the several groupings remains fairly standard and should be ascertained as the starting point of a fair sized venture by him who would begin the process of organizing. It should also be noted that functional departmentation always coexists with one or more of the other types. Thus it can be said to be the most important of the four.

The analytic problem, however, is just begun once the organic functions are ascertained. The difficulty lies in determining what the sub-departmentation pattern shall be. For example quality control in precision industries is usually made independent of the production function. Where quality control is not too thorny a problem, it may logically report to production. In some industries general and cost accounting are divorced, the latter reporting to production, especially where the cost department serves only the production division.

2. *Territorial* departmentation, in itself, is easily explained since it generally involves the desire to secure raw material or market orientation or both. An example of a large company which finds it necessary to simultaneously produce both near the sales market and the source of raw materials is the U. S. Gypsum Company. Gypsum manufacture is a constant cost industry. Their basic raw material is found quite freely in nature throughout the country, the end product is low in cost and bulky, transport charges are heavy, and competition is likewise both keen and decentralized. Hence the necessity for producing as near as possible to the point of sale.

On occasion, other reasons will be found to favor usage of territorial departmentation. Large segments of the textile industry moved to the South to avoid rising labor costs and labor difficulties. The automotive industry is decentralizing its assembly operations in order to reduce transport charges.

One point, however, should be emphasized, and that is this: Territorial decentralization of production operations, in an effort to reduce administrative expenses, is usually disappointing. In fact, in many cases, the result is an actual increase in administrative costs because the spatial distance involved requires expensive devices of absentee management e.g. rail, plane, telephonic communication, rather than the more direct type of face to face communication that is possible under physically centralized operations.

OPTIMUM SIZE

We do not deny that there is, in constant, increasing and decreasing cost industries an optimum size of plant. Optimum size, however, is largely a function of administrative expense, and administrative costs are a function of the executive-worker ratio. Physical decentralization alone will not solve an unfavorable executive-worker ratio, nor will it reduce the number of scalar levels which a company may find it necessary to maintain. Reduction of the executive-worker ratio can be accomplished only by active pursuit of a policy of *authority decentralization* rather than *territorial decentralization.* Decentralization of authority, of necessity, requires an intensified personnel management program. To lower the ratio and to reduce administration costs necessitates that one or both of two conditions obtain. Either we secure supervisors capable of handling more underlings, or we secure better qualified underlings who require a minimum of supervision, or we secure both. In any case, the solution lies in better selection and training procedures, both at the executive as well as the work level.

3. *Product and Process* Departmentation will be simultaneously discussed for comparative purposes. By way of introducing our final topic, let us note the distinction between the two in an industrial engineering sense. Both product and process departmentation are a matter of equipment and manpower layout. Product departmentation is synonymous with the term straight line layout. Process with the term job shop layout. In product layout, machines and men are stationed in operational sequence. In process, they are stationed based upon likenesses of equipment i.e. punch presses are in one corner, drill presses in another, turret lathes in another corner.

UNIFORM EQUALITY

To the engineer, it is obvious that, if other things are equal, the product or straight line layout is superior. It possesses the advantages of greater labor specialization, fewer machine setups, quantity production runs, less distance to be traversed by production parts in moving from one machine or assembly operation to the next, lower production control costs and other advantages. However, we seldom find a situation in which other things are uniformly equal. Too many industrial managers are prone to favor line departmentation because it possesses a numerical superiority of advantage on paper. The fundamental question should be resolved, not in terms of advantages or disadvantages, but in terms of whether one form or the other, under the individual circumstances of the production situation of the individual concern, is best fitted to economical production. It is a question of proper user of each type.

Where a process type of departmentalization is indicated, it is frequently possible to give the process groupings straight line characteristics. This is especially true, let us point out, in industries such as candy and paint manufacture where the operations follow a usual sequence either vertically or horizontally. Where a true job shop layout is indicated, because of diversity of products requirements, every effort should be made toward laying out the process operation sequencing around the item which furnishes the bulk of the sales volume. In this manner, the inherent inefficiencies of process departmentation will, at least, be reduced to a minimum.

Law As A Tool Of Management

By ROBERT D. MYERS

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All of us, from the cradle to the grave and beyond are exposed to the operation of the law. In this article we are introduced to managerial law done by a specialist in law.

THIS IS an attempt to clarify the position of law as an operating tool of management. Many books have been published in law, business law, and business and government, all with the purpose of stating what law applies to business.

It first becomes necessary to differentiate other approaches to the *use* of law. There must be no confusion in the use of the word "law." The term "law" is treated in the juridical sense, not in the sense of general axioms or principles, such as those developed by Frederick Taylor.

EVERYMAN'S LAW

All of us, from the cradle to the grave and beyond, are exposed to the operation of the law. It is true only a few of us, in our daily life, will be exposed either regularly or occasionally to law in its more complex forms. All of us are, however, constantly exposed to very simple contract law, family law, criminal law, simple facts of negotiable paper and torts (such as auto accidents). Certainly occasionally all of us will be concerned with a few simple real property problems (such as leases, deeds, and wills). The study of these materials may be academic or picked up through experience. Academically, they certainly belong in a High School or Arts College curriculum.[1]

The use of the law in this area, therefore, is quite limited in scope, although quite important. It has no managerial flavor.

LAWYER'S LAW

In this area we are referring to the specialist in law. As is well known, he is trained intellectually for a number of years. Then he must usually pass a state bar examination. He then receives a certificate authorizing him to practice law in one state.

The use of the law by the lawyer is an end in itself, just the same as the use of accounting by an accountant is the sole end to be served. It is true that lawyers as well as accountants or engineers may, and possibly should, look to the ethical and political implications of law. Their views should be, and frequently are, much broader than the narrow specialization of the law.

In our analysis, however, and in order to develop the concept of functions, it becomes necessary to look upon the lawyer solely as a specialist. As a specialist his advice, if understood by management, and if well given, becomes the final judgment in that field. Remember that there are many areas in the lawyer's practice which never touch the law of business.

[1] For an interesting article on this point: Hon. Edward C. Day, *Everyday Law For High School Seniors*, Case and Comment, The Lawyers Coop. Pub. Co., Rochester, N. Y., July-Aug., 1951, p. 26.

LEGISLATIVE AND PUBLIC LAW

The law as used here is for the perfection of public functions, one of which — at least in our society — is regulation of business activities for the public welfare. This use becomes one which is exercised by the legislator or public administrator in the interest of all the people. Although, as we shall develop it later, management must be thoroughly conversant with the law in this area that affects him, it is not a matter which in the economic sense he would use in his business operations. There are, of course, many subdivisions in this area of law which would not be related to business, such as coinage of money and establishment of post offices.

MANAGEMENT LAW

The intention is to brief the subject, but it will be treated in detail later. There are four levels of management law used: top executive, intermediate administrative, specialized management types, and shop or group supervisory functions. 1. The top executive must deal with complex legal problems as a part of the overall picture. 2. The intermediate administrator, although not having quite so complex an overall problem, is required intelligently to carry out executive orders and be aware of his own special problems. 3. The specialized management groups (that is, those in Accounting Management, Sales Management, Industrial Management, and Office Management) represent a staff level of management, requiring specialization within their staff functions. An important part of these special staff functions is the applicable law. At this level it may be that the legal problems are quite complex, even if not so broad as at top executive or intermediate levels. 4. Finally, shop or group supervisors are likely to have the least use for law in business operations. What use they do have is on a narrow basis, mostly involving matters of law relating to personnel, such as Workmen's Compensation and Labor Relations. There are some elements of

complexity here, which require a good memory plus ability to understand the legal verbiage involved. Even if the company's lawyer reduces to simple terms directives from government offices, those, together with orders from above, and contacts with labor groups require an elementary understanding of the legal problems involved.

MANAGEMENT'S USE OF THE LAW

We come now to a detailed analysis of management's use of the law.

Management must use the law as a tool. It rarely occurs that a business runs solely by legal rules. Even in receivership or bankruptcy, business judgment becomes the most important element in operation. Not infrequently a legal problem dominates business policy, but more frequently the dominant problem is one of marketing, engineering, accounting, finance, or industrial relations.

The law as used by management, therefore, becomes merely a functional part of business operation. Management must use it as a tool. The advice of the legal specialist (lawyer) must be understood, weighed, correlated, and harmonized by management to realize correct policy in any given situation. It may be that the advice of counsel will be accepted, modified, or discarded. Rejection or modification of advice does not mean that its counsel is bad, but that management prefers to put it in proper perspective with the other functional areas concerned.

It must be conceded that many top business executives started as lawyers and wound up as managers. These lawyers had or acquired managerial ability. They educated themselves to speak the language of the engineer and other specialists. They did not presume to usurp the engineering function, but they *had* to understand it. Likewise, many sales-managers have been elevated to top executive positions. Here again, they had to be conversant with the lawyer's function, his language and the like.

Obviously all this must be true or all managerial positions would be at the mercy of the specialists. There could not be a proper policy decision because of unfamiliarity with the specialist's advice.

The manager is also a specialist. But, depending on the nature of the company's type of legal organization, he may be a part of the Board of Directors all of whom manage; or he may manage with the Directors' approval. This phase of the subject the writer will avoid, as it would unduly expand the treatment.

It, therefore, becomes apparent that the commonest areas of law with which business deals should be well known to the management. That is, in its complexities, to a reasonable degree, management must be quite familiar with the law of Contracts, Sales, Agency, Bailments, Partnerships and Corporations. Certainly management should add to this list special knowledge of governmental rulings and laws which affect its business.

Such complex knowledge may be gained in law schools. In view of the competition of professional law students and the difficulty of collateral material, such as pleading and practice, most embryo managers would prefer to get the knowledge in colleges of Business Administration, whose business law courses emphasize these areas of the law and treats them most adequately.

THE "REASON WHY"

Management must become acquainted with the "reason why" of the law. There has been a tendency for laymen to look to a specific rule of law, with no thought as to the "why" of the rule. Management is, of course, mightily interested in the rule of law involved; but its understanding must be first enriched with the philosophy and reason relating to the birth of the rule. This understanding is not easily obtained from other than scholarly treatises or casebooks. Sometimes the lawyer will advise his client of these matters, but more frequently, due to many pressing matters, this is avoided as an unnecessary part of the specialist's advice. As a matter of psychology alone one is more understanding if the reason for an act or rule is explained to him. Management must make an effort to inquire, either from literature or from its legal counsel, as to the philosophy and the reasons behind rules of law and particularly of statutes. For example, the preamble to the National Labor Relations Act reads: "To diminish the causes of labor disputes burdening or obstructing interstate and foreign commerce . . ." Many look upon this Act in a manner entirely different from that expressed by its preamble. It may be that the expressed intention is not sincere, but whether sincere or not, management's understanding of this vital tool (law) may be enhanced by such knowledge. Any rule makes more sense and remains longer in one's mind if one knows the reason.

CAUTION A WATCHWORD

There are thousands of rules of law applicable to business which may, by dint of memory, be recalled by management. This is the hard way. Relationships cause mental recall to operate when pure memory fails. Therefore, the functional approach of management must, to be most effective, center around the overall management situation, wherein the problem causes a recall of the legal principles applicable thereto. Caution must be the watchword here. Not all similar appearing problems are really similar or have the same solution. Management can, however, separate each problem into its functional classes and let the specialist attack his part. Then all the specialists, plus management, coordinate the specialist's findings in line with management policy.

For example, the management situation upon the sale of goods manufactured by it is centered around such matters as financing, shipment, transfer of title and warranties. The likelihood is that management will be quite concerned in making its position clear with regard to the merits of the goods sold. Managerial policy should be clear on this for good-will purposes if for no other reason. Many rules of law exist relating to warranties applicable to the sale of goods. The law provides a method of handling this situation, but engineering, sales, and competition must dictate what may be utilized.

If management can orient its thinking on legal matters so as to catalogue the managerial situations into a few classes and then resolve all such thinking around these classes the simplification of approach will be most rewarding. Not only the situations relating to the sale of goods, which has important sub-situations, but also manufacturing, agency, financing, labor problems, interstate, intrastate and credit relationships, along with many others, can be used by management as points of central tendency in thinking of the legal problems involved in business. In other words, the relation

of law to management becomes clear when the law is shown to revolve around specific management situations and not appearing as a disjointed and discordant mass of legal rules.

"AN OUNCE OF PREVENTION"

Preventive law is one of the major functions of the lawyer. That is, he does or should subscribe to the old adage that "an ounce of prevention is worth a pound of cure."

In substance, the "preventive" attitude of management is the core of its relationship to law. It is very clear to lawyer and layman alike that litigation is not only costly, but in excess, slows down the economic processes. It is understandable that some litigation is unavoidable. This may be due to natural and expected business errors, uncooperative disputants, or interpretation of important Federal or State Statutes affecting the interests of Management. For example, management would be most unwise to continue a course of conduct questionable under a Federal Law, when a friendly suit may establish a safe policy.

However, more frequently the day to day operating problems of management are likely to be capable of solution by recognition of them and by treating them in a safe, and thereby, preventive manner. For example, in the marketing of new products, management would, if recourse is had to advertising, consider carefully the problems which might cause trouble with the Federal Trade Commission under the False Advertising Act.[2] Likewise a purchasing department should be advised as to its rights and obligations in testing articles purchased.

The law is basically preventive in nature. If management itself or through counsel is acquainted with the law pertaining to its activities, it will, if wise, follow a course which inevitably leads to less litigation.

THE COST PROBLEM

In line with the above, costs of litigation and prevention must be compared. Often-times callousness on the part of management or its counsel will lead them into disputes very costly to the owners and to the public. A sense of great trust and responsibility on the part of management should lead it very hesitantly towards the quagmire of litigation.

It is true that management sometimes feels that permanent counsel or a legal department does not pull its weight. The value of its advice prevention-wise is difficult to measure. But if our thesis is true that law is a "tool of management," then in the same manner as with any other tool it must be kept sharp and modern.

Management of small business may find that full-time counsel is a financial burden. But certainly if management, in this instance, is sufficiently well trained to recognize situations calling for professional legal advice, permanent part-time counsel may be effective.

Many of the outworn processes of the law of receivership and liquidation of insolvent companies have given way to the recognition by both government and business that if the business is sound it may be salvaged and a potential heavy economic loss turned into a most modest one. Chapter X bankruptcy organizations are now considered likely to serve public and private interests in such situations.[3]

The writer's experience, both in litigation and in practicing preventive law, has amply demonstrated the huge cost differential. Since a measuring stick is not available, exact proof is impossible. As an inexact statement, one can say that litigation may consume one-third, one-half, or even more of the substance of the dispute. Prevention is likely to be nominal in cost. Here again, proper understanding of the lawyer specialist's functions and abilities and efficient use thereof will reflect on costs. Although it may occur, the lawyer should not be a clerk at a specialist's salary. The writer has seen this anomaly happen very frequently. If a clerk is needed he should be hired.

TYPES OF USEFUL CASE STUDY

In obtaining the necessary information to talk intelligently with the lawyer specialist, management would be well advised to delve into the exact processes and materials with which the law is created and used. I am referring to a study of cases decided by the courts of the land and of the statutes which are pertinent.

It does not seem wise to devote time to a study of matters wholly uncommon to management's problems. For example, much time could be spent unprofitably in the study of materials dealing with criminal law. On the other hand, great benefit should accrue from a study of cases and legislation relating to contracts and the like which are common to all business activities.

The study of cases in pertinent areas of the law exposes legal thought, logic, and method which a conglomeration of rules is quite unlikely to disclose. As management must be reasonably familiar with production processes, so must it be reasonably familiar with legal processes.

LAW VERSUS POLICY

To the amateur, the permissive features of the laws relating to business may result in establishing a line of conduct in accordance therewith. There are many such laws which merely permit or approve of certain actions, contracts, and the like. For example, the law approves of contractual language which has the effect of negativing the warranties implied by law in the sale of goods. This is permissive only and certainly should not be the unvarying basis of business policy. It may be more desirable for management to accept the implied warranties as necessary for good public relations, rather than to narrowly restrict warranties to a few expressed ones. Of course, management's experience with the market and the customers may dictate a policy of strictness in the scope of warranties.

A balancing of the requirements of the business and the position of the customers will make management's decision as between law and policy effective. One more example should suffice. Conditional Sale Contracts and State Statutes usually provide for repossession and resale procedure upon the vendee's default. It would be unwise for management to hew to the line, sell the repossessed articles at a loss and get a deficiency judgment. The financial fraternity learned during the Great Depression that deficiency judgments resulted in little income and much ill-will.

The above is not meant to be exhaustive of the issues raised, but suggestive only. One presently engaged in management can easily fill in each area with many practical observations. It is felt that the ideas stated may be fruitful if studied and digested.

[2] e.g. The Wheeler-Lea Act of 1938.

[3] See Plum and Humphrey, *Investment Analysis and Management*, 1951, p. 150.

Incentives in the Executive Branch in U. S. Government Employment

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If the reader is familiar with and approves the principles of incentive management as opposed to authoritarianism or paternalism these suggestions for improvement by the author may aid top management.

REGARDLESS OF INDIVIDUAL or partisan views we may hold as to the role of government in society, few would deny that the Federal Government in the United States has tremendous powers and responsibilities today. Nor can one imagine any set of possible circumstances which would change this fact in the near future. Not only is the functioning of the business community affected in many phases by governmental decisions, thus giving the business man a profit motive for good government, but even more far reaching consequences affect us as individual citizens. Even the most cursory perusal of international and domestic affairs will serve to convince us that both our fate and the fate of unborn generations is largely dependent upon government leadership and public reaction. Thus the desirability of obtaining and making maximum use of personnel potential becomes a matter of self-preservation for our citizenry.

Even in a small enterprise, a good executive must base much of his planning and action upon facts and ideas originating from subordinates. The larger and more complex the organization becomes, the less possibility exists for him to intimately know all operating facets of contact between his organization and its physical and social environs. In progressively larger organizations, stratum upon stratum of subordinate levels of management are added so that in an operation as large and complex as the Executive Branch of the Federal Government, top level decisions are almost of necessity formulated and solidified at lower levels, giving the top executive little opportunity, even if he had the time, to do much more than to approve or disapprove.

INCENTIVE MANAGEMENT

It is not the purpose of this article to discuss the incentives and functioning of the high level appointees or elected officials. Nor is the payroll cost as related to performance to be considered, although this is certainly an important subject. Hence, the personnel doing primarily repetitive, mechanical, or other tasks wherein the results are predetermined by others, are not considered herein. It is the purpose of this article to examine the incentives for good management as related to other factors, existing in the strata in which facts and ideas for top level decisions frequently originate. Thus it is hoped that specific suggestions for improvement might aid top management. It is assumed that the reader is familiar with and approves of the principles of incentive management as opposed to authoritarianism or paternalism. Within this definition, attention is concentrated on salary levels from $3,100 to $10,000 or $14,000 per year (GS 5 to 15 or 18). The top of the range is given as variable to reflect existence of political factors in some agencies in the $10,000 to $14,000 per year bracket.

MOTIVATION TOWARDS INCENTIVES OR REWARDS

Experimental physical sciences in their beginnings were usually evolved from observation of individual units subjected to controlled conditions in which variables were isolated so that cause and effect could be measured and recorded. This method sufficed for mechanical phenomena in a limited environment but has been generally superseded by a more complex approach using statistical and mathematical criteria as the search for truth has become more refined. It seemed to be a characteristic of human thinking to want to project simple concepts derived from physical experience into mechanistic theories which were often found inadequate beyond a certain point. This trend is clearly presented in Professor Einstein's "Evolution of Physics".

Also, in physical sciences much difficulty has been encountered by attempting to treat individual phenomena as isolated from their environment. In recent years more attention has been devoted to field relationships to individual phenomena, each affecting the other.

Psychology has been an attempt to apply the methods of physical science to the study of man. A parallel evolution from mechanistic to statistical treatment is evident. Likewise the older idea of instincts (an inherent absolute like "ether") has been displaced in favor of environmental reaction between the individual and society plus nature (comparable to the field concepts). Psychiatry has tended to follow the case method of its parent medical practice. It has perhaps been even more misused by persons with axes to grind by extending the findings related to case studies of inferior abnormalities to the whole range of the Bell Curve of human attributes. It has been successfully used in this extension to the degree that the microcosm is representative of the macrocosm, but only in the subjects in which it deals—abnormalities.

Summarized below are the mechanical

or organic wants which experimental psychology has recognized as the basis of much of human motivation. These might be termed animal desires which in healthy, normal humans lose their driving force when satiated.

1. Hunger.
2. Sex urge.
3. Unfavorable skin conditions.
4. Other organic discomforts such as:
    a. The need for waste elimination.
    b. Muscular fatigue resulting from:
        (1) Exhaustion.
        (2) Lack of rhythmic motion.
    c. Respiratory and circulatory restriction.
    d. Nervous reactions.
    e. Sensory discomforts (such as eye or ear).

These drives furnish an interplay of desires which results in a variable complex hard to decipher at any given moment in the life of an individual.

To project these animal desires as a full explanation of human emotions is to duplicate the mechanistic attitude previously discussed and is contrary to the everyday observations of our fellow men as well as the record of history. No attempt will be made herein to evaluate the portion of emotions which animal desires occupy. In the broad masses of mankind, most of which in terms of numbers exists on an animal level of unsatiated wants, these desires must be prominent. However, the economic level of those with whom we are concerned herein is such that one must assume that these animal desires are sufficiently satisfied so that their value as drives is greatly reduced or of little use in connection with incentives.

Thus experimental psychology furnishes little useful explanation of motivation for us except the observation that emotions tend to be associated with the stimuli that produce them and when frequently repeated, institute emotional habit patterns. These patterns may become so fixed as to act as a negative motivation opposed to change.

However, psychology in general is of value in inculcating an objective approach to emotions and motivation. It requires but little practice, with this approach, to determine what emotions and motivations are common to most men. The difficulty lies in estimating how much of what is present, what habit patterns exist, and what stimuli evoke a certain response. Specific people and specific situations require specific analysis which is much more difficult in that all factors are usually not known nor what degree of inter-dependency exists amongst variables. Although few men claim to have ability to solve problems of calculus wherein results are verifiable, the more ignorant the man, the more sure he seems to be of his prowess in judging problems of human emotions wherein results are harder to verify. He continues happy in error. The good manager cultivates the ability to recognize emotional desires and use appropriate incentives within the limits of his ability to reward subordinates as they succeed in performance required to attain the proffered goal.

MOTIVATION OF EMPLOYER

In private enterprise, the profit motive is prominent if not dominant. Of course many other motives can and do exist in management, but the enterprise must succeed financially or eventually stagnate and die. It is becoming more widely accepted that the success of individuals comprising the firm in achieving their goals when compatible with those of the firm is essential to the success of the firm. However, the nature of commercial activity is such that measurements tend to be made in dollar units. Such refined tools as cost accounting and budget performance are highly objective and thus provide a substitute for subjective human evaluations. The consequent insurance of recognition for good performance acts as a powerful incentive for subordinate management personnel.

Also in private industry, many more buyers exist as a market in which the employee can sell his labor, offering greater variety as to organization so that the employee has a greater selection to fit his individual characteristics.

Best Wishes for A Very Merry Christmas

and a

Happy New Year

From the staff of the National Office of

SOCIETY FOR ADVANCEMENT OF MANAGEMENT, INC.

411 Fifth Avenue

New York 16, N. Y.

Government exists for a different purpose than private enterprise and tends to be more institutionalized. This acts to some degree as a screening device insofar as job applicants are concerned. Employment offered by the government is largely set in its characteristics by function, law and regulation. Competition with private industry exists to some degree in drawing from a common supply, but since exchange between private industry and government is not great on the levels herein considered, competition is not a major factor in determining characteristics of employment. The major competition exists between agencies and this is suppressed in times of emergency by "freeze" orders.

JOB ANALYSIS

Before any system of incentives is installed in an organization, if it is to properly function, it is necessary to have job functions well defined as a reference against which to measure performance. This reference must be realistically described and related to other organizational positions and comparable positions elsewhere. Provision for this is made in law by Congress in an initial Classification Act of 1920, amended in 1923. Title II of the Ramspeck Act of 1940 widens the powers of the President in respect to the classification plan so that ample administrative authority is allowed.

The classification of jobs (job analysis resulting in job descriptions) is usually done by line personnel in the Executive Branch Agencies and reviewed by their own personnel departments, the results being spot-checked by the Civil Service Commission. This gives rise to one of the greatest weaknesses of the Civil Service attempt to use principles of scientific management. Personnel doing classification work within the agencies are frequently not sufficiently trained for this work so that classifications are not held in proper relationship to each other. Generally, the agency has a vested interest in classifying too high in order to compensate for the usually lower government pay scale. Iniquities result causing dissatisfaction. Unrealistic titles and job descriptions have numerous other unfortunate consequences.

If an employee really has the qualifications which the classification requires, and finds after being hired, that he is not expected or allowed to use them, his actual tasks being less than those for which he was supposedly hired, his pride in ability is destroyed or he eventually seeks another position, in or out of government, at a higher level. However, if he has oversold his ability so that he is actually only worth the lesser amount required by the job, the flowery job description gives him an exaggerated sense of his own merit if he believes it, resulting in a defensive, egotistical attitude.

RECRUITMENT FOR CLASSIFIED JOBS

The advertising media at government disposal is both widespread and sufficiently detailed so that potentially interested employables are reached with a degree of efficiency probably exceeding that of private industry. Law prevents the loss of good will resulting by requiring the employee to pay for his job through commercial agencies. Response to announcements is so great, including many applicants without serious intent or qualifications that the use of a very small fee such as a dollar would serve as a screening device without damage, to eliminate those who make applications freely with little regard for the resulting expense, much as devotees of box top contests that require no box top. With the occasional exception of Grades 5 and 7, in the categories discussed herein, the job application is processed through an "unassembled examination" procedure, which is a process of rating the applicants resume (standardized by use of a form to bring out desired information) against the general classification to arrive at a graded level. References are checked and used in grading. A register of accepted applications is set up, each applicant being assigned a position on the register in accordance with his "mark" within each graded level. The hiring agency then has a choice amongst the top three persons on each register covering pertinent vacancies.

This system has merit as a screening device but is inadequate in that the applications are graded rather than the persons they represent. When the system was first instituted it was a great improvement over the previously purely political system of appointments but it has not kept pace with modern personnel techniques. It is difficult enough for experienced personnel interviews with a thorough knowledge of specific jobs to appraise applicants. To pretend scientific accuracy for a system of rating application papers is another mechanistic extension of the type previously discussed. The result is high turnover and failure to recruit the best available personnel for available positions. Some leeway is granted the employing agency to reject applicants and go farther down in the register, but the method of refusing applicants to obtain other referrals is so rigid that it can only be applied in exceptional cases of obvious misfits so that generally the agency must take what it gets unless it is fortunate in being able to keep positions "open" by keeping them sufficiently unique so that it can hire directly without use of a register (but still subject to Civil Service Regulations).

Intelligence tests, differentiation between academic standards of colleges, and personality are much less important in government hiring than in private enterprise. Length of experience in specifically related jobs or additional degrees are substituted as objective measurements to compensate for other weaknesses of the government hiring procedure.

As a result of difficulty of evaluation of the more unfamiliar experience of private industry by personnel with primarily government backgrounds, an obstacle is further added to an influx of persons from private industry as they are frequently penalized by errors made on the conservative side by persons examining application papers. Emphasis upon longevity rather than aptitude tends to emphasize security rather than aggressive and competitive initiative. It is the old question of seniority advantages versus freedom of selection for other attributes than length of tenure. The presence of high calibre personnel in a working environment is a stimulating incentive and further attracts other high calibre personnel.

JOB PERFORMANCE

Although Civil Service Regulations, in accordance with principles of scientific management, require that performance standards for each job be given to the incumbent in the job, preferably in writing, there is insufficient insurance that this is done to accomplish the degree of objectivity needed in an ideal

organization. As is experienced in consulting work, no plan, however admirable, is any more effective than the understanding and will of executives using it allow it to be. Subordinate executives promoted from non-supervisory and essentially different functions, in any organization, frequently display a lack of managerial ability although they may have been excellent in previous jobs. This is due to a lack of recognition that certain attributes do not necessarily transfer themselves automatically to other qualities which are different. The knowledge of what is expected in itself is a highly important incentive to do good work as has been frequently exhibited by employee questionnaires. Also such definition serves to clarify in the executive's mind just what he does expect so that he is ready to rate his subordinate's performance objectively rather than on the basis of emotional reactions he himself experiences.

Rating of performance will be done most effectively when actual performance is compared with the expected standards rather than using such arbitrary symbols as "good," "excellent," etc. (which have recently been abandoned in favor of only three; outstanding, satisfactory, and unsatisfactory). Such symbols mean different things to different people and are apt to be completely incomparable in their use amongst different organizations or within sections within an organization. Also, wherever possible, it is advantageous to eliminate wide deviations in judgment by use of committee rating by more than one person acquainted with the persons being rated.

DETERMINING RESULTS

Whatever system of merit rating is used, the results are what determine advancement in pay and responsibility within grade and largely determine promotional possibilities. This being a primary incentive, it is essential that the greatest possible objectivity and openness be used to maximize the incentive aspect.

Expansion and contraction of government agencies offers a continuing possibility of transfer to a better or worse position which is an important incentive in government employment. This fluctuation may or may not coincide with the business cycle so that it furnishes a primary motivation in transfer between government and private enterprise.

SYSTEM OF CASH AWARDS

A generous and well-planned system of cash awards for suggestions has been promulgated by the Civil Service Commission, having desirable cost reducing and incentive producing results. Its use by different agencies is dependent upon the functional nature of the agencies and its appreciation by agency executives. Results of suggestions in government are frequently difficult to appraise when objective measurement devices are lacking.

1. The citizen's stake in effective government in normal times is at least financial; in these times is no less than self-preservation not to mention higher moral aspirations.

2. Psychology and psychiatry offer little help towards establishing incentives in management levels of government, other than encouraging objective analysis.

3. The nature and purpose of government result in a partially different set of management motives as compared with private industry. Objective measurements are more difficult to obtain, hence reliance upon the theory of checks and balances must be combined with commonly accepted principles of scientific management as the fear of economic failure is more removed as a negative incentive.

4. Classification functions should be done by specialist personnel of the Civil Service Commission free from the line authority of the agencies whose positions are being classified. However, classification should be done by these persons working physically in or near the agencies and should be based upon actual inspection and first hand knowledge of positions classified. Realistic classification is the foundation of incentive application, the latter requiring means of measurement. Measurement can be no more accurate than the reference points serving as a framework. The framework is determined by classification (job analysis).

5. Written applications are not sufficient evidence upon which to base registers which are a true indication of relative desirability of applicants. Other personnel methods should be given greater weight than they are in establishing registers of eligibles, and audits made to prevent initial favoritism in the screening process. Personal judgment by qualified interviewers is a necessity, there being no adequate non-personal substitute.

6. A greater exchange of ideas and personnel should be encouraged amongst government, private industry, and academic and professional institutions to glean mutual benefits from advances in scientific management. For the government, this should be a research function of the Civil Service Commission which is in the best position to utilize results and make recommendations for pertinent Congressional legislation. Recognition and definition of a problem is frequently the hardest part of obtaining a solution. At this point, little literature exists on broad incentives in government indicating that little basic thought has been applied to the problem, most attention being given to piece meal modifications of the *status quo* as the need arose and became pressing. Good management looks for its problems while they are small and easily defeated rather than waiting for them to become big enough to force one into a corner.

7. Results obtained from liaison and research as well as consolidation of presently known principles of scientific management as applied to government should be made more effective within agencies by mandatory training programs starting at high levels and working down on the cadre principal, conducted during working hours for all line personnel at or near agency locations. A pilot program should be started in one agency or elaborated from present programs to serve as a proving ground and to give concrete evidence of success as a selling point to other agencies. This should be under the auspices of the Civil Service Commission in conjunction with but separate from the research function which should serve as a planning function and the training program as a function of execution.

8. Continual evaluation of the results of the training program should be done by joint committees containing permanent Civil Service Commission members in charge and representatives of the agencies concerned. Recognition, establishment, and improvement of incentive management principles are large parts of integrated scientific management and cannot be separated from other variables but can be differentiated with objective and thorough examination.

Scientific Packaging

By LYNE S. METCALFE

Special Writer for Magazines and Newspapers, New York City

This article is an authorized interview with Herschal S. Bearman, National authority on scientific packaging, Member Consultant Staff, VANANT Products, and President, Allied Commodities Company, Minneapolis.

MANY ARE the special problems which confront the industrialist in time of war or defense production, and increasingly intricate are the special technical problems which the supply industries must solve. All this is due primarily to vast technological developments which not only resulted from war and peacetime experience.

With efficient transportation under global supply requirements becoming ever more vitally important and also intricate, the science of protective packaging of all types of products takes on added importance, as clearly evidenced by the attention which U. S. Procurement leaders have placed on it.

In fact, specifications for protective packaging of thousands of items in equipment and supplies are included in conditions of most production contracts and sometimes the supplier finds himself or his organization facing difficulties in clearly understanding and applying the official demands.

Years of practical experience and serious study of the basic problems in protective packaging of thousands of items in the commodity and equipment industries and ownership of the most comprehensive official documentary library on this subject, makes Herschal Bearman one of the outstanding specialists in this field, and the importance of a practical discussion of the basic ideas and principles involved in following official protective packaging specs, is therefore of great timeliness now.

Said Bearman to this writer:

"Any private contractor, manufacturing plant, or producer bidding on or working on a government contract involving any dollar volume is riding on a hot seat if he fails to employ directly or indirectly the services of a man either in his own organization or outside who is versed in the knowledge of and the application of specifications concerned with preservation, packaging, and packing as required under government contracts.

ENGINEERING PROCESS

"Preservation, packaging, and packing as called for under government contracts is an engineering process and project as vital to the completion of a contract as the engineering and lay-out of the commodity which is being manufactured. Similar engineering training, study and application is as necessary to accomplish a good job in this phase of work as it becomes necessary to have the proper background for any engineering assignment. It is indeed unfortunate that in some instances due to the failure of top management of private industry to recognize this fact, we have the result which is the major cause of confusion and failure to perform."

Bearman recognizes the fact that many contractors with a contract to fill merely step out and endeavor to find someone competent to handle the packaging job.

PACKAGING IS AN INFANT

"But," he pointed out, "the field of preservation, packaging, and packing is in its infancy. It was towards the end of the war that we began to develop the techniques which formed the foundation for the present methods and processes. This highly specialized field, unfortunately, attracted only a few men who were willing to sacrifice the time and effort necessary to fortify the mind with the study and knowledge needed to correlate a multitude of specifications applicable to the various branches of the Armed Forces.

"Due to this, management has found it difficult to locate qualified personnel; therefore, if industry is to continue the handling of millions of dollars worth of government contracts, it would seem to me the most logical step would be the instituting of a plan designed to equip some key personnel for the handling of this phase of production.

"Equipping key personnel with a knowledge of specifications and their applications is one thing which cannot always be accomplished through a directive of top management. An individual or individuals must be chosen who have the interest and aptitude to dig in to the theory and philosophy behind specification requirements. In other words, you must find a specification man who is fully qualified. He has to be born with a desire to study and apply specifications starting with the sub-basement and working up through the slow process over a period of years.

"It is the same reasoning which would apply to the man desiring to become a lawyer or a doctor or a designing engineer. You do not merely hand out a directive, and all of a sudden have a doctor! A professional man is trained over a period of years and then spends a good portion of time working as an intern or an apprentice so to speak, and even then, practices for the rest of his life!"

"It is true," continued Bearman, "that

we do not have the time to put men through such training so as to equip the packaging engineer with the knowledge and background required. Yet it is true that some progress has been made in instruction at the Rossford Arsenal School, and other government refresher courses being organized which is fine. As stated previously, our work in this highly specialized field is relatively new. Much of the work being done is like blazing a trail in an attempt to set the standards and levels of approach. But, there has to be a starting point some time.

ARCTIC OR DESERT

"After all, the packaging industry is handling billions of dollars worth of the taxpayer's money in the production of critical materials necessary for the defense of the country. All of us, as taxpayers, must recognize the fact that we are stockpiling materials in this country and all over the world in order to build our defenses. These materials may have to stay in storage in this country or in the South Pacific or in the Aleutians, in the Sahara Desert, for a month or a year or five years or ten years. None of us know when these materials will be called upon to go into action. Therefore, it is only good common sense that we must preserve and protect through preservation, packaging, and packing these billions of dollars of material against the ravages of deterioration through corrosion, rust, and physical breakdown."

Mr. Bearman added: "It is indeed a rather interesting observation to note what wonderful miracles are performed on our production lines. These performances are the result of sharp management and keen brains and because of this fact, it is somewhat amazing to see how little attention management pays to the manufactured item after it leaves the production line. Concern after concern today assigns the engineering project of packaging and packing to a shipping clerk, to go along with his many other duties. In many instances, these shipping clerks or foremen do outstanding jobs; but, in the majority of the cases, they do not have the time to get the training or background to engineer such a project. While the job in the majority of cases finally is completed, if the packaging and packing were engineered previous to the job assignment to the shipping department, millions and millions of dollars could be saved in time and material by industry and taxpayers."

To sum up, the impetus for action must start with top management so as to reflect the spirit of everyone all the way down the line. It is indeed enlightening to see how many concerns today are at last beginning to institute packaging methods departments. These are steps in the right direction; but, it is only a beginning. The big problem is to make these departments work and not merely to have titles to refer to. Men who have been given the responsibility of heading off methods and quality control divisions should institute day by day studies and refresher reviews in the same manner that a doctor or a dentist keeps himself informed. The general subject of preservation, packaging, and packing is going through constant changes and improvements from day to day. Any man affiliated with the field has to apply and study new methods day in and day out.

"Many times during the course of our work," said Bearman, "we listen to various tirades by contractors and their employees criticizing the requirements of preservation, packaging, and packing as required under government contracts. This criticism is based on one fact, and that is lack of knowledge on the part of the contractor. He is criticizing because he doesn't know what he is supposed to do, and he didn't understand his contract when he affixed his signature to same. I have often wondered how many business men buy a piece of property or go into a transaction involving sums of

RECOGNITION OF THE FIELD OF FUNCTIONAL PACKAGING

The field of functional packaging is at last being recognized by industries supplying government needs as one of the last virgin thresholds upon which cost reductions can be effected in the marketing of a finished product. Recognition, however, is complicated by the lack of knowledge concerning the scientific approach to packaging of such material, the lack of experienced personnel for fostering such a program and the lack of understanding of material limitations. Today, skilled engineers are attempting to provide to the manufacturer a service which constitutes somewhat more than the supply of packaging materials. It is necessary to have a consultation service and act in an advisory capacity wherever consideration must be given to such elements as:

1—Package design.

2—Setting up of adequate production packaging facilities.

3—Interpretation of Government contracts and the applicable packaging specifications for the proper selection of application and handling of the various packaging components.

money without getting legal advice. And still, we have contractor after contractor signing contracts and bidding and accepting same without having the least idea of what is required to preserve, package and pack material he is producing."

OBLIGATION TO U.S.A.

"There are many contractors who have lost dollars on contracts due to the requirements of packaging and packing. In plain words, they have signed contracts and have obligated themselves to fulfill certain obligations without knowing the full significance. I can't understand why business men approach government contracts with the idea they can do what they have in mind, and put up an argument against the fulfillment of their obligation. The signing of a government contract is a serious business. It is an obligation to a hundred and fifty million people in the United States," said Bearman.

"If every business man had the opportunity and time to study merely the preservation, packaging, and packing specifications and requirements he would have a deep appreciation of the spirit and philosophy behind the meaning intended. I have often heard severe criticism leveled at the so called 'bureaucrats' who write these specifications. This is an unfair charge and is not the result of correct thinking. The more I have the opportunity of working with specifications and applying same, the more respect and admiration I have for the brains which made these specifications possible.

"Good sound logic is not the result of a dreamer! As a taxpayer, I am well satisfied with my dollar return. A good many government specifications have been adopted by industry and have become a standard which has given all of us value received. If it hadn't been for some of our so called bureaucrats who have written these specifications, industry never would have taken some of the steps which they have not only used for performance on government contracts, but if you please, have adopted in their commercial field of practices.

TRAINING PROGRAM

"About four years ago, our organization set out on a program to equip our profession with the tools and knowledge necessary to function in the field of preservation, packaging, and packing. We decided that it was urgent for us to allocate specific funds for the purpose of building and continuing a specification library. This decision was the starting of an educational program which has continued day by day and is continuing today and will continue indefinitely.

"The correlation of government specifications as they are related to one another requires the day by day study, review and application. Our specification library is as vital to our business as the law books are to a lawyer. As a result of this decision, our offices have become the nucleus for disseminating information and interpretations to prospective government contractors and to contractors performing on a government contract. We recognize the fact that the vast majority of contractors have not had the opportunity to avail themselves of the information on specifications which we keep available to them; and as a result of this, we feel it is our duty and obligation to keep abreast of every latest change or development so we can intelligently serve them."

In closing, Mr. Bearman pointed out a phase of industry which has contributed so much to the success of preserving the finished product coming off the production lines of our various plants. A phase of the packaging industry is devoted to making the materials as required under the rigid standards of government specifications. These materials involve literally hundreds of different types, classes, grades, styles, conditions, etc., and to these efforts, the present success in the field of preservation, packaging, and packing has been possible. These men have provided material necessary to protect electronic equipment, aircraft equipment, automotive equipment, medical equipment, and a multitude of equipment. Stringent government standards have been a challenge to all of us; but as typical of the American spirit, we are coming through with flying colors.

GOALS TO ATTAIN

Knowledge and understanding is gained through study and association with our fellow men. We have a big job to perform, and we shall accomplish its success; but understanding what our fellow men wish to accomplish can only be done through study and application, as this will lead to the completion of the end result we desire to attain.

MANAGEMENT BOOKS *Recently Received*

The Road Is Yours, by REGINALD M. CLEVELAND and S. T. WILLIAMSON, published by The Greystone Press, New York. 304 pages, $3.75.

Business and Professional Speech, by LIONEL CROCKER, published by The Ronald Press, New York. 463 pages, $4.00.

Regional Organization of the Social Security Administration, A Case Study, by JOHN A. DAVIS, Ph.D., published by the Columbia University Press, New York. 315 pages, $4.00.

Living Without Hate, by ALFRED J. MARROW, published by Harper & Brothers, New York. 268 pages, $3.50.

Human Relations in Supervision, by WILLARD E. PARKER and ROBERT W. KLEEMEIER, published by McGraw-Hill Book Co., Inc., New York. 472 pages, $4.50.

Personnel Administration, by PAUL PIGORS and CHARLES A. MYERS, published by McGraw-Hill Book Co., Inc., New York. 614 pages, $6.00.

Human Factors in Management—revised edition—edited by SCHUYLER DEAN HOSLETT, published by Harper & Brothers, New York. 327 pages, $4.00.

Application of Linear Programming to the Theory of the Firm, by ROBERT DORFMAN, published by the University of California Press, Berkeley and Los Angeles. 98 pages, $3.50.

Effective Communications

By A. Q. SARTAIN

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A note of human relations shows failure to understand someone, to communicate effectively with him, is often the most important cause of a conflict.

IT IS OBVIOUS THAT a lack of appreciation for the goals, values, aspirations, and desires of the other man is often basic to the misunderstanding that arises between people. There is no guarantee that we would like the other person better if we knew him better—in fact, the precise opposite would no doubt be true at times — but a failure to understand him fully, to communicate effectively with him, is often the most important cause of a conflict.

This is as true in labor-management relations as it is in any other field. Granted that the fundamental values of workers and management are not too far apart, the basic problem in this field is communication, the bringing of each side fully to understand and appreciate the other.

In spite of the apparent simplicity of the problem, not much, or at least not enough, wisdom and skill have been brought to its solution. For there is no serious reason to believe that the gap between management and labor is growing appreciably smaller. Indeed, a good case can be made for the proposition that the gap is widening.[1] What have business and industry, as well as other employers, done to meet this issue?

The truth of the matter is that management has long been aware of the importance of this area and has taken many steps calculated to improve it. Without attempting to cover all of them or to arrange them in order of importance let us enumerate some of them: house organs, letters to employees, staff conferences, employee conferences, suggestion systems, bulletin boards, public address systems, union-management committees, company reports sent to employees, advertising directed to employees, morale surveys, training sections, labor relations sections, and indeed the whole industrial relations or personnel function.

Recently, a special campaign has been undertaken, with the purpose of selling workers Free Enterprise.[2] Millions of dollars are being spent and many different devices used to convince workers of the virtues of the "American way of life."

WHY NOT MORE EFFECTIVE?

Many of these attempts at communication have no doubt helped materially, and no one knows what the effect would be if we should suddenly eliminate all of them. However, leaders of management and perhaps of unions as well have erred considerably in many of their efforts, and will have to shoulder a good deal of the responsibility for the present plight.

In the first place, we frequently misjudge the nature of language—and of communication. Language is assumed to be fundamentally rational, having as its purpose the conveying of logical meaning. It is questionable, however, whether thinking itself is fundamentally a rational process.[3] Certain it is that one very important function of language is the releasing and conveying of emotion or feeling, and this is perhaps equally true of thinking.

EMOTION-LADEN STEREOTYPES

A good illustration of this point is the stereotype, a concept applied to all members of a group regardless of its applicability to any individual member. It is obvious that the stereotype is often emotion-laden to a high degree. And the uncritical use of stereotypes is a frequent occurrence in efforts at communication.

Just as important here is the distinction between the latent and the manifest aspects of a statement.[4] The manifest aspect includes the spoken (or written) words, the gestures, etc., whereas the latent aspect refers to the feelings and unconscious thoughts lying behind the spoken word. How frequently we take the manifest to be the real story, when it may actually have almost no relation to it!

AN OVERWORKED CLICHE

In the second place, we err in supposing that workers (or management either) are solely creatures of enlightened self-interest and that they act in the work situation wholly in accordance with their reasonings. Undoubtedly, the rational nature of man has been grossly exaggerated. And it is no less sure that, while man may follow his own self-interest, he may, and does, also sacrifice willingly for his associates or a cause to

[1] "Is Anybody Listening?" *Fortune*, September, 1950, p. 77.

[2] *Ibid*, p. 78.

[3] Murphy, *Personality: A Biosocial Approach*. New York: Harper and Bros., 1947. pp. 401 ff.

[4] Roethlisberger and Dickson, *Management and the Worker*. Cambridge: Harvard University Press, 1939. pp. 265 ff.

[5] Mayo, *The Social Problems of an Industrial Civilization*. Cambridge: Harvard Graduate School of Business Administration, 1945. pp. 36 ff.

which he is genuinely committed.[5] The truth is that man has a strong tendency to believe what he wants or needs to believe,[6] and furthermore that he wants to believe that he is a person of consequence in that he is engaged in an activity that has significance not only to him but to his fellow human-beings.[7] And when we try to communicate on the basis of enlightened self-interest we often swing wide of the mark.

NEED FOR TRUST

A third mistake grows out of the other two: it is so easy to overlook or undervalue the context of what we say. The plain truth of the matter is that real communication is difficult unless the two persons communicating have genuine trust in and respect for each other. And many of the "communications" of management fall on deaf ears because workers do not have this trust and respect. (The reverse is often true of what the labor leader "tells" management.) In this connection we have often attacked the mode of expressing our thoughts when the fundamental problem actually was the attitudes of the persons involved.[8]

This matter of context goes much farther than is sometimes realized. It is easy to "talk down" to workers. In fact, when we explain "the plain facts" to someone and he does not accept them, we try to find simpler words in which to explain. If he still does not accept, we are likely to assume him to be ignorant or even stupid. And communication is hardly possible when an intelligent, respectable individual knows that the one who is attempting to communicate with him thinks that he is stupid!

The context of our utterances has carried an even more unpleasant connotation at times. It has assumed the moral weakness of workers. That is one reason why some of the Free Enterprise efforts are ending in failure—and perhaps worse. Again a proud, self-respecting individual is not favorably influenced by one who implies that he is morally weak and untrustworthy.

[6]Murphy, *op. cit.*, pp. 362 ff.

[7]Gardner and Moore, *Human Relations in Industry*. Chicago: Richard D. Irwin, Inc., 1950. pp. 345 ff.

[8]See in this connection "The Language of Business," *Fortune*, November, 1950. pp. 113 ff.

And then, we have sometimes rather openly attacked the values of workers, their union, their political candidates, and the like. Of course it is sometimes expedient to attack the values of another, but only if we wish to influence a bystander or at least a third party. We seldom if ever win a person to our ways of thinking and feeling by making a frontal attack upon what he holds dear or even important.

The truth is, then, that a good many of management's communications to workers have been suspect so far as basic sincerity is concerned. Workers believe that attempts have been made to entice or cajole or even "trick" them to adopt a certain attitude, and, of course, that does not succeed.

TOO MUCH CENTRALIZATION

In the fourth place, the human relations problems of business, industry, and government have been overcentralized and too much authority taken from those who have to deal directly with the worker. The first-line supervisor has perhaps suffered most in this respect, at the hands of personnel departments and other staff people but mostly at the hands of a middle and top management unable or unwilling to delegate responsibility. No worker wants to work for, or even respects, a boss who merely carries out orders and has nothing to do with their determination. And it is simply impossible for Washington or New York to determine and carry out a good program of human relations in distant establishments.[9]

Our final mistake has been a failure to listen.[10] We have mistakenly assumed that people learn by being talked to, when in actuality they often learn more when they talk! Especially is this important if we remember that communication is essentially an exchange of feelings, not of ideas. Just as important, too, is the fact that leaders of both management and labor have often proceeded on the basis of certain stereotypes which a bit of listening might quickly show to have little relevance to the thinking and attitudes of workers.

What can management (to restrict ourselves to that aspect of the subject) do about all this? In many cases a fundamental change in attitude is needed. Workers must be recognized as intelligent, sincere, self-respecting individuals, willing to work diligently for a cause in which they believe but resentful of decisions that appear to them to be arbitrary and unfair. Workers demand their own self respect and will purchase this, if necessary, at considerable cost to themselves and to others. Trickery and pretense have no place in effective communication.

This means, of course, that first-line supervisors and other members of management must be given a real voice in the determination of personnel policies and procedures, that they must be encouraged, and given the necessary authority, to practice good human relations. It also means that workers must be consulted about at least some of the things that affect them, that they have a chance to "say their say," whether the final decision accords with their views or not. In a word, management must be inclusive rather than exclusive.[11]

EFFECTIVE LISTENING

Finally, effective communication means effective listening. There are a number of things that might be done in this connection, but none is likely to be more helpful than the skillful use of non-directive counseling.[12] This method has been used successfully by personnel counselors, but there is no reason why it might not be used effectively, though in modified form, by supervisors. Fortunate indeed is the organization where the "bosses" have learned the assumptions and usefulness of this method of listening for those situations for which it is suited.

There is, of course, nothing wrong with paying attention to the clearness and attractiveness of communication. But we must not let the mechanics become a substitute for a message worth communicating.

[9]Gardner and Moore, *op. cit.*, pp. 401-403.

[10]"Is Anybody Listening?" *Fortune*, September, 1950, pp. 77 ff.

[11]Gardner and Moore, *op. cit.*, p. 364.

[12]For descriptions of this method, developed independently in industry and psychological clinics, see Roethlisberger and Dickson, *op. cit.*, and Rogers, *Counseling and Psychotherapy*. Boston: Houghton Mifflin Co., 1942, and by the same author, *Client-Centered Therapy*, Boston: Houghton Mifflin Co., 1951.

SOCIETY NEWS

HIGHLIGHTS OF THE ANNUAL CONFERENCE OF S. A. M.

The Annual Conference of S.A.M., held in the Hotel Statler, New York City, on November 1 and 2, was one of the most successful in the history of the Society. Approximately 2000 management men attended the Productivity and Cost Reduction Sessions and the Human Relations Sessions. A complete and valuable edition of the 28 outstanding speeches will be available soon in the Proceedings, published by the Society.

The Taylor Key, one of the highest awards of the Society, awarded annually for the outstanding contribution to the advancement of the art and science of management as conceived by Frederick W. Taylor was presented to Dean Donald K. David of the Graduate School of Business Administration of Harvard University. The Human Relations Award for outstanding accomplishment in human relations was awarded to Glenn L. Gardiner, Vice President of the Forstmann Woolen Company of Passaic, New Jersey. The Gilbreth Medal, an annual award in the honor of the work of Frank B. and Lillian M. Gilbreth for noteworthy achievement in the field of Motion, Skill and Fatigue Study was awarded Ralph Presgrave, Vice President of J. D. Woods & Gordon, Ltd. of Toronto, Canada.

The Harrington Emerson Trophy, which is presented annually to that chapter of the Society which has most distinguished itself during the year by its record of activities and contributions to the advancement of the science of management was given to the Milwaukee Chapter of S.A.M.

PORTLAND RECEIVES CHARTER

The Portland, Oregon Chapter held its Charter Presentation Meeting on November 21st. The guest of honor was Douglas R. McKay, Governor of Oregon. Mr. Ernest Swigert, President of the Hyster Company, was the speaker for the evening and Eugene Caldwell, Vice President of the Hyster Company, was Master of Ceremonies.

Emerson Trophy Standings
Chapter Performance Award
As of October 1951

CHAPTER	MONTHLY & ANNUALLY
Greensboro	1123
Pittsburgh	955
Washington	865
Allentown	797
Hudson Valley	780
Milwaukee	771
Trenton	665
N. New Jersey	624
Bostor	610
Chicago	597
Detroit	591
Indianapolis	581
Atlanta	522
Philadelphia	508
New Brunswick	489
New York	451
Baltimore	434
Wilkes-Barre	387
Worcester	357
Central Pa.	342
Lancaster	298
Cincinnati	282
Cleveland	282
Wilmington	261
Montreal	187
St. Louis	186
New Orleans	169
Columbus	162
San Francisco	125
Dallas	122
Western Mass.	119
Manchester	105
Richmond	90
Portland	79
Bridgeport	66
Central New York	65
New Haven	60
Stamford	60
Los Angeles	58
Knoxville	46
Birmingham	40
Providence	40
Twin City	30
Louisville	18
Hartford	16
Baton Rouge	12
Dayton	—
Kansas City	—
Nashville	—

ASHEVILLE CHAPTER FORMED

With an unusually successful start S.A.M.'s newest chapter Asheville, North Carolina, can claim almost a hundred top community leaders as charter members. The charter was presented on November 15th at the George Vanderbilt Hotel by Leon J. Dunn, national president of S.A.M. and assistant to the executive vice president of Veeder-Root, Inc. Mr. Dunn was the principal speaker for the evening at the charter banquet.

Officers for the new chapter are:

President—Fred A. Wayant, chief industrial engineer, American Enka Corp.

Vice President—N. H. Collisson, vice president, Ecusta Paper Corporation and manager of the Olin Cellophane Division.

Secretary—J. Bruce Morford, director of industrial relations, Champion Paper and Fibre Company.

Treasurer—Edward F. Deacon, president and general manager, Selective Sales, Inc.

National Director—Eugene J. Benge, president of Benge Associates.

The Chapter has issued a photographic copy of the charter to each charter member with the thought that in the future, after the chapter is fully developed and has realized the accomplishments anticipated, each charter member can point with pride to it.

Asheville also held a dinner meeting November 30th with the principal speaker being Charles P. Taft of Cincinnati, Ohio, candidate for the governorship of Ohio, who spoke on the subject of "Education for Human Relations".

PITTSBURGH CONFERENCE

The Pittsburgh Chapter sponsored an all-day conference on November 15th. The theme was "Co-ordination—the Key to Effective Management". Cecil W. Guyatt, chief industrial engineer of U. S. Steel, and John M. Allderige of Eastman Kodak Company were the morning speakers. At the luncheon session H. B. Maynard, president of Methods Engineering Council, reported on the Ninth International Management Congress which was held in Brussels, Belgium. William Sadler, Jr., of Sadler and Associates of Chicago and Lt. Col. L. Urwick of the Institute of Business Administration of Toronto, Canada pro-

vided the afternoon speeches. Dr. G. L. Bach, Dean, School of Industrial Administration, Carnegie Institute of Technology, presented the evening address entitled "The Future of Management as a Profession".

ATLANTA SPONSORS M. T. M. CLINIC

The Atlanta, Ga. Chapter on December 7th sponsored a Methods-Time-Measurement Clinic which was conducted by John M. Avent, consulting industrial engineer of Atlanta. Col. Frank F. Groseclose, Director of the School of Industrial Engineering of Georgia Tech, was general conference chairman. Guy B. Arthur, Jr., National Director of the Atlanta Chapter and President of the Management Evaluation Services in Toccoa, Ga., Paul Brown, production manager of Scripto, Inc., Edward B. Russell, staff engineer and Mr. Avent of John M. Avent Engineers were the speakers at the Clinic.

NOVEMBER S. A. M. CHAPTER ACTIVITIES

The New York Chapter held a joint meeting with the Young Presidents' Organization at the Brass Rail Restaurant. Peter Knox, president of the Knox Corporation of Thomson, Ga. presented an address on "Management by Incentives." Mr. Knox is a member of YPO, a very interesting organization of young men in top presidential positions in industry. Dr. F. F. Bradshaw of Richardson, Bellows, Henry and Co. was chairman of the meeting.

The Montreal Chapter had as its guest speaker W. K. Hodson of the Methods Engineering Council of Bridgeport, Conn. who discussed "An Analysis of Methods-Time Measurement." Mr. Hodson devoted this talk to an actual case, recently encountered in his organization, in a plant manufacturing plastic products and passed out M.T.M. study sheets to those members present. Through the combined talk and demonstration the use of M.T.M. was ably illustrated as a valuable tool for setting incentive rates, improvement of work methods and forecasting of manufacturing costs.

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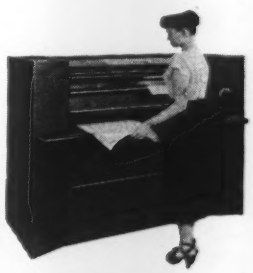

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The Washington Chapter heard Robert Ramspeck, Chairman of the Civil Service Commission say "government supervisors are not meeting their responsibilities under the President's manpower program." Mr. Ramspeck's theme was the relationship of the President's Manpower Program to the activities of the Civil Service Commission. An important point noted was the 36% per year turnover rate of federal employees. This meeting received advance publicity on Washington radio stations WTOP and WRC.

The New Brunswick, N. J. Chapter heard Commander William T. Greenhalgh, one of the best informed persons in the United States on geopolitics and Russia deliver an address on the subject of "The United States Policies in Regard to Russia and Russian Aggression." Commander Greenhalgh has recently received orders to report to General Eisenhower's Staff in Europe.

The Philadelphia Chapter heard William W. Conover of the management consulting firm of Booz, Allen, and Hamilton discuss "Increasing Productivity." Mr. Conover, an expert in management engineering and production methods was National Vice President of S.A.M. in 1946. Herbert H. Carey, Management Consultant in Personnel Administration, was chairman of the meeting.

The Western Mass. Chapter in Springfield had an unusually entertaining and informative management meeting when a comedy skit on rate setting in a foundry was enacted by the MacRae H. Curtis group of the Charles Parker Co. of Meriden, Conn. L. W. Woundy of U. S. Envelope Co., Anthony Scalise of Wico Electric Co., and Professor William Weaver of the University of Mass. presented a panel discussion following the skit. G. W. Mitchell of Bruce Payne and Associates served as meeting chairman.

The Dayton, Ohio Chapter heard a progressive scientific management program when William Hyde and Robert Beaman of the Standards Department of Delco Products, Division of General Motors, presented "Methods-Time Measurement." Both received their training in M.T.M. at the Methods Engineering Council in Pittsburgh.

The Birmingham, Ala. Chapter had as its speaker H. W. Ritchey, Assistant Manager and Technical Director of the Thiokol Corporation, Redstone Division in Huntsville, Ala.

The Los Angeles Chapter with Don Voohees of General Petroleum as meeting chairman had an interesting program on "How to Sell Your Ideas." Edward S. Hochuli, personnel director of the Pacific Coast Division of General Petroleum presented the topic with a new slant of basic selling techniques, outlining four stages of thought through which every person goes when approached by one who has an idea to pass on or an item to sell.

The St. Louis, Mo. Chapter heard a panel discussion at the November dinner meeting. Harry Bodrau of Motorola discussed a Work Factor System, George Dlesk of American Box Board Company talked on Methods Time Measurement Systems and Earl Evans of General Metals dealt on the subject of Motion Time Analysis. Professor Gerald Nadler of Washington University was chairman of the meeting.

The San Francisco Chapter heard Leonard A. Doyle, C.P.A., Management Consultant speak on the subject of "Reporting Operating Results to Management." Mr. Doyle pointed out that the maintenance of accurate and prompt reporting of operating results to management is best accomplished by standard costs and variance for comparison. Alan R. Bailey, Vice President of Coast Counties Gas and Electric Co. was chairman of the meeting.

The Wilmington, Del. Chapter had as its speaker Allen K. Heydrick, Staff Member of the Management Relations Division of National Association of Manufacturers who discussed "Your Money Is What You Make It."

The Chicago, Ill. Chapter presented at its November meeting Dr. Joseph W. Towle, Associate Professor of the Department of Management at Northwestern University with his "on-the-spot-observations" of the International Management Congress in Brussels.

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The Richmond, Va. Chapter heard W. Gilbert Brooks, chief industrial engineer for Pitney-Bowes Corporation discuss "Human Relations — the Secret of Successful Engineering."

Mr. Brooks is convinced that all of our so-called industrial engineering problems are rooted in a lack of human relations understanding. Mr. Brooks also pointed out that human engineering, whether we realize it or not, is the most important job industrial engineers have because industrial engineers are the greatest practitioners of human relations of any of the other industrial personnel in an organization. Industrial engineering has placed too much emphasis on successful techniques and not enough on its successful human engineering activities. Wiley Marr of Pitney-Bowes was chairman of the meeting.

DECEMBER S. A. M. CHAPTER ACTIVITIES

The San Francisco, Calif. Chapter heard a very excellent and instructive talk by Dr. E. M. Glaser who is retained by a number of large California companies as an industrial psychologist. Dr. Glaser who talked on the subject of "Psychology Becomes a Tool of Industry" presented some problems and advantages of psychological testing and some actual case histories pertaining to this subject.

The Allentown, Pa. Chapter held a dinner meeting at the White Farms Inn. Palmer Hager, Manager, Manufacturing Control Division, Department of Education of International Business Machines was the featured speaker of the evening. The topic of his discussion was "Production Control Systems."

The Baltimore, Md. Chapter and the Monumental chapter of the National Secretaries Association held a joint dinner meeting at the Stafford Hotel. Dr. Lillian M. Gilbreth, internationally known consultant engineer in the Time and Motion Study field and a distinguished member of S.A.M. was the featured speaker. Her topic was "The Place of Teamwork Today." Gerald S. Wise, general manager of Sears, Roebuck and Co. was the chairman for the evening.

The Lancaster, Pa. Chapter on December 4th heard Charles J. Brillinger, Director of Training and Education of the York Corporation of York, Pa. who spoke on "Personnel Testing and Training." Mr. Brillinger with his fifteen years experience in personnel testing, training and merit rating pointed out that during the past decade the use of various tests and training programs to evaluate employees and then their preparation for greater responsibilities has become a recognized part of scientific management. Milton A. Hopf, general superintendent of the Animal Trap Co. of America in Lititz, Pa. introduced the speaker.

The Hudson Valley, N. Y. Chapter presented George E. Meyers, nationally recognized authority on labor costs control and salary and wage administration and manager of the Eastern District of the Special Services Department of Ernst and Ernst of Boston who discussed "Maintenance Standards for Control and Incentives." Paul C. Lawson served as meeting chairman.

The Greensboro, N. C. Chapter has accepted as its research project for the year "Survey of industrial engineering practices used in this area." This survey should prove to be interesting and profitable in view of the growth of the industrial South.

The Allentown, Pa. Chapter held a monthly discussion group meeting concerning personnel management. The discussion leaders were G. A. Navarro of Western Electric Co. Inc., and James R. Burdette, personnel manager of Arbogast and Bastian, Inc. Following the presentations of Mr. Navarro and Mr. Burdette, a general discussion on current labor problems in the industries represented proved both interesting and helpful to all present.

Do Your Employees Drink Enough Water?

In surveying means of increasing workers' efficiency in the office and factory, managers and foremen can well afford to ask whether their employees are drinking enough water.

Medical men agree that drinking liberal quantities of water is one of the best roads to maximum health and efficiency, while medical studies have shown that too little water can result in sluggishness, fatigue and other deleterious effects which come from a congested intestinal tract.

One means of stepping up daily water consumption appears to be through use of paper drink cups. Surveys in business and industry by the United States Testing Company, Inc., of the relative merits of bubbler fountains and of fountains using paper cups showed that people drank approximately 62 per cent more water per drink when drinking from paper cups than when drinking from a bubbler. The survey further showed that their total daily consumption of water was greater though the time consumed in going to the fountain was less.

It was shown that people drinking from paper cups took fewer drinks per day but got more water per drink, therefore needing to make fewer trips to the fountain. The surveys which covered both men and women office, factory and laboratory workers, were conducted for two weekly periods of five days during which only paper cups were permitted for drinking purposes in the first period and only bubbler service was provided in the second.

The purpose of stepping up water intake is not to prevent actual thirst, medical authorities say. The human organism demands fluids as one of the basic necessities of life and your employees are not likely to endure a lethal deprivation of drinking water while they're on the job. But not all people drink as much water as is desirable for optimum health and vigor.

A person in good health, according to the consensus of medical opinion, should get from six to eight glasses of fluid daily — an intake that is gained through beverages and foods as well as water. The fluid intake varies within rather wide limits due to the factor of exertion but the maximum rather than the minimum amount is recommended by all experts.

Junior Achievement, Inc.

Teenagers are being encouraged to learn the ways and means of business through "learning by doing". SAM Chapters in Milwaukee, Columbus, and Asheville are helping in the program of training.

IN THE United States today there are some 29,707 boys and girls in some 2,150 companies who actually own and operate their own little enterprises, learning the facts of business life the hard and rewarding way. They sell their own stock issues, keep double-entry books, and pore over their own "P. and L. sheets". On their own production lines they turn out tie racks, coasters, plastic bonnets, electric clocks, doughnuts and a hundred other items. They meet their own payrolls, buy their own materials, declare dividends, and sometimes go broke. They are all members of Junior Achievement, Inc. with headquarters in New York City.

The first such company started in Springfield. Massachusetts, in 1926 and since then the movement of youthful enterprises has grown and grown throughout the land. Back of these youngsters are always some adults—business men in the community who decide to sponsor the program of Junior Achievement and act as advisors on production, sales and accounting. With seven or more teenagers, they help to organize the company. Together they talk over ideas for products or services. Then the boys and girls go out and raise the capital by selling stock to local business men and other interested people—50 cents a share, and not more than five shares to a customer. With $50 to $200 of capital, the company is in business.

Junior Achievment, Inc. is a nonprofit national organization developing and expanding an educational program to give teen-age youth, (boys and girls, 15-21 years of age) experience in ownership, experience in management and experience in working for something. Through "learning by doing" young people and their adult advisors, develop an understanding of the relationship and function of the essential parts of America's private enterprise system involving private capital, wise management and responsible labor. This means of contacting the urban boy and girl is doing what the 4-H Clubs do for the farm youth and is one of the first movements of its type to actually aid the urbanite youngsters. It gives them an insight into the world they are entering.

The project also helps these young people over the first hurdle into their first job. When a young man applies for a job and during the course of his interview says he has been director, president, production manager, advertising director, and shop foreman of a small company, this chap with the experience will go further than one who has not had it. Junior Achievement also dispels mistaken notions many young people get. Surveys taken in Chicago indicate that 90% of all high school students believe in government control of all business. After taking part in the J. A. program less than 10% retained that belief.

The Columbus, Ohio Chapter of the Society for Advancement of Management is now working hand in hand with the Junior Achievement program in Columbus. There are some 450 youngsters and 75 adults in the city of Columbus who are eager "J.A." workers. The Columbus Chapter not only gives sound advice on many management aspects of the J. A. company operations but also presents an award to the best managed Junior Achievement Company. The award consists of a rotating trophy, and individual citations to members of the best managed company each year. As a means of determining the company to which the award will be made, a questionnaire must be filled out by the officers of each participating J. A. Company. This questionnaire then is turned over to the Executive Director of Junior Achievement of Columbus, Inc., certified correct by him and forwarded for evaluation to the Secretary of the Columbus Chapter of S.A.M. The questionnaire is a fair and impartial means of judging the best managed company and can also serve as a helpful guide in the operation of the companies.

The Milwaukee, Wisconsin Chapter is another S.A.M. Chapter who has become interested in J. A. activities. S.A.M., N.A.C.A., and S.M.A. in Milwaukee have supervised the Junior Achievement program and are continuing to carry through with it. S.A.M. initiated a Rating Program and with seven men on their committee, rate the J. A. companies at least once a month. Asheville, North Carolina, S.A.M.'s newest Chapter is also interested in the Junior Achievement program in their city.

It is hoped that this story will put the idea of this enterprise into the minds of others. It has already been shown that Junior Achievement will develop more enlightened employers, employees, and voters resulting in more intelligent and responsible American citizens. Young people with a feeling of responsibility as well as an appreciation for the American incentive system will go far to help our nation.

The Management Bookshelf

Fundamentals of Top Management by RALPH C. DAVIS, Harper & Brothers, 825 pages, $6.

THIS IS A CRAFTSMAN'S BOOK on Management. It is Ralph Davis' third major volume since 1928, so each has come about a dozen years apart. The eight hundred pages of "The Fundamentals of Top Management" are a direct and natural result of this painstaking, scientific approach. The twenty-five page "summary" of his entire presentation in his final (twenty-first) chapter, is *not* a substitute for going through the volume in the same careful and orderly detail in which it was prepared. This illustrates both the strength and the drawbacks of this book as a management tool.

Its strengths will be solid and many where it is to be used either essentially as a textbook or essentially as a reference manual. It is extremely well fitted for both of these purposes. Despite its length it is written to an engineer's outline. It never wanders but stays relentlessly on the designated track and schedule throughout its whole steady, mental journey. Each subject and each topic comes in a pre-designed sequence and to an extraordinary degree each is essentially *complete* in itself.

For the reader trying to slide along quickly this technique may be repetitive, even annoying. For the student trying to ground himself firmly in the fundamentals of management it is a specific aid. And for the experienced manager, using the book for *reference* purposes, it is a positive asset; because when he finds his subject, he finds it intact, with its background, essentials, development, classifications and criteria handy for review and re-grasping.

But under this technique the typical chapter is forty pages long and covers twenty tight-packed sub-topics. So it is not a book for the high-spotter, the superficialist or the hot-shot in a hurry. You can't take it on the run. It offers, as Davis says in one cryptic remark, "no golden formula for success by mediocrity". But management, especially top management, is like that. And as it does approach professional or scientific status it gets more rather than less so, as Ralph Davis profoundly knows.

Hence this book does go to "fundamentals". It seeks principles—as Davis has since his early writings on the factory itself—and seeks to find when, why and how to apply or use them. It doesn't narrate how a busy top executive spends his current days. But it does detail the underlying problems and conditions which must be recognized, analyzed and surmounted to have an organization structure of such soundness that top management can devote its current time to making the business run, progress, grow and succeed—both in its economic function of earning a profit and in its increasing public responsibility of rendering an economic service as a *primary* objective.

Davis details that business management is the work of executive leadership through creative planning, professional organizing and effective control. He traces the work of managing through production, distribution and finance as elementary work areas. He differentiates line and staff work as the basic forms of organization structure. He really adds the modern concept of sound employee relations as a functional area coordinate with manufacturing, sales and finance in two long and broad chapters on "morale"; though he doesn't identify development of the latter as such a basic function by name.

He divides management into its administrative and its operational phases; and notes how creative planning for the long pull tends to dominate the former whereas control of projects for the shorter range gets the emphasis in the latter; with *both* requiring adequate knowledge of organization principles and structure for successful management.

He covers centralization and decentralization; authority, responsibility and accountability; delegation; technical specialization and coordinative staff work; and reasons why business staff activities do not and should not parallel the historic staff work of the military.

He lists the attributes of good organization; the differences between preliminary and concurrent control of operations; and the place, usefulness and techniques of business procedures in the management sphere, rightly listing the latter as secondary in objectives and use as he similarly rates personal objectives, for example, as secondary versus the primary economic service objectives of a successful, complex, modern business in today's difficult political and social economy.

It is, therefore, a craftsman's book, out of Ralph Davis' background of a quarter century of steady, competent advancement in analysis and presentation of the subject matter of "Management". It shows, both in its copiously documented footnotes and in its comprehensive appended bibliography, such long, grueling work in the author's chosen field.

Where is it weak or where does it miss? This too is a fair question and when any author defines his terms with such precision and expounds his presentation so fully, he necessarily exposes himself to multitudinous differences of viewpoint, of definition, of interpretation, of emphasis. Every reader with his own pet foibles, or sincere convictions, in these respects, will thus not lack "bone-picking" opportunities. The author's approach and treatment practically invites them wholesale.

In the main, however, these differences are likely to come on points of detail or of personal opinion. In this reviewer's considered judgment, the majority of *such* differences will not detract from the value of this monumental compilation which the author has made of fundamental, professional management knowledge.

There is, however, one exception which itself is basic; one error of philosophy and doctrine which is so serious that the author, let us be thankful, really backs so far away from it after (repeatedly) stating it, that, in general, he backs into a sound net position finally. But it would be better to get there from a solid philosophic approach in the first place.

This cardinal error is in the repeated assertion, in various forms, that the individual's *right* of private property is derived *from* or delegated to him *by* "society as a whole" or the public. This is secularism plain and simple, and not good. Society, or its public (governmental) representative, can not *give* what they *never had*. They can—as Davis so plainly sees—restrain it or even take it away (socialism or communism) if they can muster the force to do so; and they can force the individual to exercise his right with due regard for equivalent rights of others. But the right itself is a

natural right of the individual. In contrast, it is the "rights" of *government* which are delegated *by* the individuals; and which finally can only be maintained with justice through the *consent* of the governed. Davis recognizes the viewpoint in one passage that the natural law is considered a deeper source of authority than can come from the scientific approach; but, unlike Malapert, he does not yet finally concede that "science makes us, in the last analysis, merely derive our ignorance from its most remote sources".

In similar philosophic vein, Davis' basic definition of "control"—one of his three fundamental organic functions of management—as "constraint and regulation" misses the point of really creative leadership. In listing "coordination" as a phase of "control", and in defining the latter as he does, the essence of *both* is warped.

In the finer and more fundamental sense, the two are distinct. "Coordination" is really the synthesis of the voluntary efforts of others to whom responsibility and authority have truly, clearly and *understandably* been delegated; and "control" is essentially the provision of facts, which will make possible that voluntary self-correction which is the wellspring of real initiative, progressive achievement and true discipline. The issue here is vital. It is the great fight of the world today to ensure that the principle of liberty does *not* go down before the principle of compulsion.

The *four* basic organic functions of business management, therefore, are to plan, to organize, to coordinate and to control. The literature on the first two grows increasingly clear; on the last two it is still unclear; and while Davis, by his detailed analysis and definitions, points up the issue, he does not solve it. The principles of division of work and labor to accomplish large tasks with ordinary people are now widely understood by many, many managers. The principles of coordinating and controlling the work so divided in such a manner that it may be freely assumed and voluntarily kept in synchronism and harmony as it is performed by individuals with opportunity themselves to work creatively—singly and jointly—are still in need of clearer exposition and wider understanding. In his chapter on "Morale and the Integration of Interests", Davis gets nearer the answer. He senses it and sees its need. But he finally does not fully accept it as a substitute for "control", in the basic sense of "command", as the final managerial motivating factor to energize the organization successfully. There is an unbalance here which is a real flaw for later correction.

Scanning of Davis' bibliography and footnotes gives a further indication of this unbalance. It is to be hoped that his next book—and may we not have to wait ten years for it—may reflect more study of writers like Carl Snyder, Heyek, Van Mises, Felix Morley, Wriston, Hazlett, Stolper, Leo XIII, Ferrero, Hopf, Manion, Woodlock, Drucker in his latest works, and Virgil Jordan with his classic six word definition of the essence of the American enterprise system, namely, "Discover how and do it yourself!".

But in the meantime, "The Fundamentals of Top Management" is a major distillation, re-grouping and re-statement of the growing and now voluminous literature of professional management. As such, long though it is, it can save any thoughtful student or practitioner of management the need to plow through literally hundreds of books and millions of words to achieve an equivalent grasp of the field which it covers.

HAROLD F. SMIDDY
Vice President
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Society for the Advancement of
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